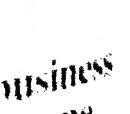
business





FINANCIAL TIMES

Start the week with...



The Nissan effect How Japan primed

UK productivity



Michael Prowse Bob Dole's vision

for schools



Olympics, plus horse racing

blocking EU plan to reunite Mostar

German diplomat Michael Steiner, a senior envoy to Bosnia, said Bosnian Croat extremism was timeatening to wreck the European Union's efforts to reunite the city of Mostar, an important step in reuniting the country. He urged Croatian President Franco Tudiman to act against the extreme nationalists and warned that UN police, backed by Nato forces would be dealoused in the city if necessary forces, would be deployed in the city if necessary.

Page 2; Serbs here British PR strategist, Page 16

irish see little gain in joining Emus Dublin's finance ministry said ireland's participation in European economic and monetary union would produce only modest gains in output, employment and trade even if the UK, ireland's main trading partner, joined as well. Page 16; Leaders and laggards in regional aid stakes, Page 2

Base and Carlebery merger stalls: Attempts to avoid a referral to the UK's Monopolies and Mergers Commission are holding up a merger of the UK brewing interests of Bass and Danish brewer, Carlsberg, Page 17

G7 falls to reach gold sale deal: The Group of Seven leading industrial countries again falled to agree on the sale of part of the International Mone-tary Fund'a gold reserves to finance debt relief for poor countries. Page 4

Buyer sought for Banco de Napoli: Rome is attempting to find a buyer for one of Italy's largest banks, Banco di Napoli, by the end of this year to head off European Commission objections to a planned 12,000bn (\$1.3bn) cash injection: Page 17

Spain moves to calm budget fears: Spain moved to reassure international markets that the country remained on track for European monetary union after news of a budget overshoot of Pta523on (\$4.2bn) by the former Socialist government, Page 2

SBC Warburg, the investment bank created by Swiss Bank Corporation's acquisition of SG Warburg, has lost nearly a third of its largest UK corporate finance clients since the takeover. Page 17 Turkish hunger strikers critical: About 20

Turkish prisoners are in intensive care and several could die after a 69-day hunger strike which ended at the weekend after the government agreed to many of their demands. Page 2 Envoys to rule on N-test han: Envoys at a 61-member United Nations disarmament conference

are expected to say whether they will back a draft

nuclear test ban treaty after talks ended last month

without agreement. Page 3; Editorial Comment, Page 15 Algeria tries cartoonist: The trial of ar Algerian newspaper cartoonist accused of denigrating the Algerian flag is due to begin today, after he spent the past three weeks in a top-security Algiers

Venezuela's debt falls: Work to reduce Venezuela's \$32.6bd public debt is making progress after the implementation of an economic plan backed by the International Monetary Fund. Page 4

prison. Page 3

Cricket: England ended the fourth day of the first Test against Pakistan at Lord's, London, on 71 for one in their second innings, chasing 408 to win.



Austria's Gerhard Berger rides back to the pits with Benetton team-mate Jean Alesi in the German grand prix at Hockenhelm. The engine in Berger's car blew with three laps to go, handing victory to Britain's Damon Hill in a Williams-Renault, with Frenchman Alesi second and Canada's Jacques Villeneuve, also in a Williams, third.

European Monetary System: In a week marked by the Bundesbank's decision to leave the repo rate at 3.3 per cent, the guilder climbed one place to top the EMS grid, while the peseta fell two places. The spread between strongest and weakest currencies was little changed. Currencies, Page 23

B. Franc D-Mark Schille Irish Puri F. Franc

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the curren cies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the quilder which move in a 2.25 per cent band.

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Croats accused of Clinton pledges fresh action against terrorists

President Bill Clinton yesterday vowed a new offensive against terrorism, after the weekend bomb blast which cast a pall over the Olympic Games in Atlanta and heightened Americans' fears of ter-

rorist attacks. FBI agents and police hunting for a white American male in connection with Saturday's bomb said they were making good progress with some "promising leads".

Spectators in Atlanta refused to be deterred by the bomb at the Centennial

Olympic Park, returning to sports events in large numbers amid a heavy show of security by local law enforcement. The bomb, which exploded during a rock concert in the early hours of Saturday morning, killed one person and injured more than 100. Fifteen people were still in hospital yesterday, three of

them in critical condition. Addressing a convention of vetarans in New Orleans, Mr Clinton said: "Ter-rorism is a problem that knows no boundaries. No place is safe when any

place is vulnerable to terrorism."

Mr Clinton added that he had sum-

enforcement officials to a White House the bours following the blast, evacusummit on the issue later today. He would also call for tougher action when ministers from the Group of Seven industrial nations and Russia meet tomorrow for a pre-arranged meeting to

look at practical measures to combat "It may be the most significant secu-rity challenge of the 21st century," he

Saturday's bomb sparked a rush of copycat bomb threats both in Atlanta and throughout the country. In the Olympic capital, police responded to doz-ens of reports of suspicious packages in ating several venues and blowing up a duffel bag found to contain a clothes iron. A bomb threat in Washington DC closed a train station, while in Washington state a ferry was stopped from

The White House said investigators were pursting "a number of leads". Mr Leon Panetta, White House chief of staff, said police had no specific suspect, but the investigators were assuming that the bomber was a domestic terrorist, possibly a member of a rightwing militia

three pipe bombs laced with nails and screws - led them to believe the bomber was an amateur. But they later said the timing device used was relatively sophis ticated. A police spokesman said they were looking for a man who placed a call to the emergency service warning of the bomb. They said the caller was a white American man with no discernible accent. Saturday's bomb added to a growing sense of vulnerability among Americans. Concern has deepened as

> Continued on Page 16 Home-grown terror, Page 4

EU nations underspend on regional aid by \$24bn

States withhold funds to meet Maastricht targets

By Lionel Barber in Brussels

The European Union is massively underspending on its poor regions aid budget because gov-ernments are holding back matching funds in an effort to meet targets for economic and monetary union next year.

A European Commission report reveals a mountain of untapped credits that has risen from than Ecu20bn this year - almost as much as the entire annual budget for regional aid.

The slow take-up of Brussels money reflects a new budget austerity in member states, particularly in Belgium, France and Germany. The problem of them of claiming from the fund is that they would have to match any amounts they receive with contri-butions from their own budgets. Regional aid - or structural

funds - is the second most important chunk of the EU budget and accounts for around Ecu25bn a year. The money is used for cofinancing roads, modernising fishing fleets, bolstering declining rural regions, and on measures to fight long-term unem-ployment through the so-called The survey shows that

southern member states such as Greece, Portugal, and Spain are far better at winning approval for structural funding than their northern counterparts.

The notable exception is Italy, which accounts for almost a quarter of committed but unspent aid. Italy still holds claim to Ecu758m which was approved between 1986 and 1989, according to the Commission.

The biggest portion of EU spending goes on the common agricultural policy which, para-doxically, also showed an Ecu9bn underspend last year. The shortfall was due to cuts in production and a corresponding fall in support to farmers. A senior Commission official

Ecu20bn was artificially inflated because it included Ecul4hn in commitments made in 1994-96. Mrs Monika Wulf-Mathies, EU

regional affairs commissioner, is stepping up pressure on governments to meet their commitments. She has warned the Italian government that it must spend the 1986-89 funds by the end of next year.

She has sent the sama message to other EU governments over the Ecu5.1bn which accumulated between 1989 and 1993 but remains unspent.

The scale of underspending raises questions about the 1992 deal which provided for an increase in the EU budget from 1.25 per cent of EU gross domestic product to 1.29 per cent

It is likely to strengthen the hand of the British, Dutch, Germans and Scandinavians, who intend to take a tough line in future negotiations despite the cost pressures of enlargement to central and eastern Europe.

Leaders and laggards, Page 2



Swissair gambles on inflight casinos

Swissair, Switzerland's national airline, plans to give a lift to gambling's high-rollers. It has ordered an \$80m inflight entertainment system which will turn its 21 long-haul jets into a fleet of

flying casinos. Swissair's first foray into gambling should be in operation by November. Other airlines are investigating the possibilities of similar ventures, but Swissair believes it is the first large carrier to announce plans for gambling on all its long-haul flights.

Passengers will be able to start gambling without leaving their aeats which will contain a 9.5 inch interactive screen. They will access the system by a credit card swine and enter the amount of money they wish to gamble. Winnings will be credited back Dublin and Emm, Page 16 to their credit cards. Initially,

mum of \$1,000. However, gamblers who find themselves on a winning streak will be able to continue to play by reswiping their credit card. The Swiss national lottery will

get a share of the winnings and players will have to be content

<u>MORSE</u>

to \$100 and winnings to a maxi-British Airways is running trials of an interactive entertainment system. It includes gambling and an expanded choice of

video and other services. BA has set a £10 limit on gambling losses and maximum amounts for winnings are set

with games such as bingo rather according to the price of a past than poker or blackjack.

Virgin Atlantic also believes that gambling will form part of the naxt generation of inflight entertainment. But it said the technology must be proved

> Continued on Page 16 Business travel, Page 10

UN environment chief under pressure not to seek new term

The US and the UK are putting pressure on Ms Elizabeth Dowdewell not to seek another term as executive director of the United Nations Environment Programme. Senior US and British officials have said in interviews they would prefer a new candi-date when her four-year term expires in December.

The pressure on the former Canadian environment ministry official comes as the US fights an increasingly acrimonious battle to prevent the re-election of Mr Boutros Boutros Ghall as UN secretary-general. It is my to the UN secretary-general to nominate the head of

Unep in consultation with mem-

ber states. But with Mr Boutros

Ghali's fate hanging in the bal-

ance, the US and the UK could hava a disproportionately big say in who runs Unep for the next four years. Ms Dowdeswell says she has

not even thought about whether she would like a second term in a job she describes as "a wonderful challenge". But she rejects many of the criticisms made of Unep, including the charge that its work is insufficiently focused. Criticism of her is as much

about style as substance. "We don't need a bureaucrat to head this organisation," says Ms Rileen Claussen. US assistant secretary of state for international environmental affairs. We need someone with a strong political sense. It takes consensus-building among 150 countries to make this work." Mr John Gummer, UK environment secretary, said: "Unep ought to be the trailblazer on the environment, yet it is confused and its messages are not clear." nd its messages are not clear." Several other countries, including France, the Nether-lands and Brazil, are also dissat-Mrs Corinne Lepage, French environment minister, says: "We are not getting everything we

want from Unep." Brazil has proposed an alterna-tive candidate, Mr Enrique Cavalcanti, e recent chatrman of the UN Commission for Sustainable Development. He would combine the advantage of a third world background with a high standing among industrialised nations which foot most of the bill for Unep's activities. With headquarters in Nairobi. Unep is the only

Doubts afflict conscience, Page 3

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No Entry

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Envoy attacks Mostar's Croat 'mafiosi'

the Croats abandon their boycott of

the results of last month's municipal

elections where the Moslems won a

Tensions between the two commu-

nities has highlighted the instability of the Moslem-Croat federation which

forms 51 per cent of Bosnia, while the

Mr Kresimir Zubak, the Croat presi-

dent of the federation, has accused

remainder is under Serb cootrol.

By Laura Silber in Belgrade and Bruce Clark in London

Mr Michael Steiner, a senior envoy to former Yngoslavia, yesterday attacked Croat extremism which he said was threatening to wreck the European Union's efforts to reunite the city of Mostar.

His attack on a "small group of mafiosi figures" who were wielding power in the divided city reflected mounting EU anxiety over the possible consequences of a definitive breakdown in its efforts to bring the two halves of Mostar together.

Such a failure would set a dark precedent for reuniting Bosnia, and deal a devastating blow to the credibility of the EU as a force in the region, European diplomats fear.

Mr Steiner, a German diplomat who

is deputy to the international media-tor Mr Carl Bildt, accused hardline Croat "godfathers" of wielding power "at the expense of Croat and Bosniak [Moslem] citizens alike" and said: "As long as they can influence events, it will be very difficult to get real prog-

ress in Mostar." He called on Croatia's President Franjo Tudjman to bring to heel the extreme Croat nationalists in west Mostar - who in 1993 mounted a ruthless siege of the city's mainly Moslem eastern half.

The German diplomat said some of the Bosnian Croats who seized control of west Mostar during the 1993-1994 war against the Moslems could "appear on the list of indicted war criminals" named by the UN tribunal He also warned that UN police,

the Moslem authorities of merely pretending to support multi-ethnic Bos-

21-17 seat majority.

nia, while masterminding the recent destruction of the last remaining Catholic church in the central Bosnian town of Bugojno.

As western policymakers prepare for the Bosnia-wide elections of Sep-tember 14, which are supposed to knit

backed by Nato forces, would be the country together, there are condeployed, if necessary, to ensure that tinuing signs of tension between US and European officials - and fears that each side will blame the other for the inevitable setbacks.

Mr Richard Holbrooke, the US official who brokered the Dayton peace accords, pulled off a spectacular success when he re-emerged on the scene this month and forced Mr Radovan Karadzic, the extremist Bosnian Serb leader, to leave public office.

During Mr Holbrooke's visit, it was painfully obvious west European diploniats were being shut out of the negotiating process. Last week, Washington again took charge, arranging the landmark visit to Belgrade of Mr Ejup Ganic. Bosnia's vice-president. Some European officials, while warmly welcoming Mr Karadzic's

pledge to quit public life, are resentful

of the widespread impression that Mr Holbrooke's toughness had succeeded where Mr Bildt's more low-key approach had failed.

To rub salt in the wound, the Bosnian press published part of a letter from Mr Bildt to EU foreign ministers in which he apparently drew atten-tion to the disadvantages of reimposing sanctions on the Serbs.

The press reports did not mention the other part of the letter, which indicated that military action to apprehend Mr Karadzic would be preferable to sanctions, in the event that all efforts to force him out of office

US officials, for their part, have been lavish in their praise for Mr Steiner - and nn more than formally polite, at best, in their recent comments on Mr Bildt:

INTERNATIONAL NEWS DIGEST

Madrid tries to calm nerves

Spain's new centre-right government strove over the weekend to reassure the international markets that the country remained on track for European monetary union, after news of budget overshoots by the former Socialist government penalised the peseta and domestic bonds late on Friday.

The government, which took office in May, intends to raise taxes on tobacco and alcohol by 3.4 per cent this week to meet the cost of extra borrowing totalling Pta523bn (\$4.2bn). Late on Friday, the peseta dipped to its lowest level against the D-Mark since December and the spread for the 10-year bonds. which had narrowed significantly following the formation of

the Popular party government, widened.

Officials said the decision to take unpopular decisions such as raising taxes to deal swiftly with the spending accumulated by the outgoing administration signalled the government's nunitment to improve public finances ahead of Europe's Tom Burns, Madrid

No extension of EU duty-free

The European Commission will announce today that it has accepted a report recommending no extension of duty-free accepted a report recommensing to extension of the system sales on journeys between EU states beyond June 1999.
Union finance ministers voted unanimously in 1992 to abolish duty-free sales on intra-EU journeys, in line with the principles of the European single market. But they granted a six-year extension of the duty-free concession after creation of the single market in 1902 to give EU states time to prepare. the single market in 1993, to give EU states time to prepare. They asked the Commission for a progress report half-way through that period.

Inrough that period.

Travel operators and retailers have lobbied vigorously for a further extension, arguing that the \$6bn-a-year trade creates jobs and reduces travel prices. But Mr Mario Monti, single market commissioner, sees no case for a further extension. His report is highly critical of duty-free operators for failing to enforce limits on the amounts of duty-free goods passengers can buy, and expresses concern at the apparent lack of progress in preparations for ending duty-free sales.

The report will go to EU ministers and the European Parliament for discussion. It does not affect duty-free sales on journeys to countries outside the EU. Neil Buckley, Brussels

Call for Liberia elections

The Economic Community of West African States agreed at the weekend that elections should be held in Liberia within nine months, and that sanctions proposals should be drawn up against warlords. The news was given by Mr Mohammed Ihn Chambas, Ghana's deputy foreign minister. However, the official statement at the end of the two-day annual summit in the Nigerian capital, Abuja, made no mention of either sanctions or elections.

The bloody six-year war in Liberia has menaced the entire egion with instability and an Ecowas peacekeeping force was ent in 1990. More than a dozen accords between rival ethnically based militias have failed to end the fighting, while the cost of maintaining the 10,000-strong force has mounted. Rival Liberian leaders were split yesterday on the elections plan. The main sticking point has been bow to disarm an estimated 60,000 combatants before some kind of elections are

Japanese pledge to Vietnam

Japan's foreign minister, Mr Yukihiko Ikeda, yesterday wrapped up a two-day visit to Vietnam by promising support for the country's entry into the Asia Pacific Economic Co-operation (Apec) forum and the World Trade Organisation.

Victor has asked Apec to lift a moratorium on new members

or grant a special exception now that it has become a member of the Association of South East Asian Nations (Asean).

Mr Ikeda also promised technical assistance for Vietnam to meet the requirements for joining the WTO. During his visit, he held talks with the Communist party general secretary, Mr Do Muoi, and the deputy prime minister, Mr Tran Duc Luong. He also witnessed the signing of several agreements, including a \$32.5m grant to rebuild bridges in northern Vletnam.

Japanese aid to Vietnam tops \$600m a year. It is also the largest trading partner and among the top investors in the

Chechen talks on prisoners

Russian and Chechen officials met face-to-face at the weekend for the first time since the fragile ceasefire in the war-torn republic collapsed earlier this month. A representative of Chechen separatist fighters and a senior Russian officer discussed an exchange of prisoners. A diplomat from the Organisation for Security and Co-operation in Europe, which has been arranging the negotiations, said he hoped rival military commanders would meet this week.

However, this delicate rapprochement was overshadowed by fighting in the region, where serious clashes resumed just days after President Boris Yeltsin's July 3 election victory. Yesterday, Russian helicopter gunships and artillery continued to bombard Chechen mountain villages which they suspect of sheltering separatist fighters.

Hostilities between Russian soldiers and Chechen civilians

have also intensified as the Russian military has resumed a more aggressive attitude to the local people. Civilian anti-war demonstrations in Grozny, the devastated Chechen capital, were broken up over the weekend by soldiers, who fired over the heads of unarmed protesters. Chrystia Freeland, Moscou

South Koreans die in floods

At least 53 people have died in three days of heavy rain and floods in South Korea. Another 18 are missing Most of the dead were soldiers manning defence positions in mountainous terrain along the North Korean border.

The military casualties occurred after landslides caused by the rains buried barracks at two military camps near the demilitarised zone that separates North and South Korea. Several guard posts were also swept away.

The ficods have also left 31,000 people homeless and caused

an estimated Won6.3bn (\$8m) damage. John Burton, Seoul

Summit planned on Burundi

African leaders called a summit over the coup in Burundi as talks continued yesterday on the fate of its deposed Hutu leaders. In Kampala, the presidents of Tanzania and Uganda, Mr Benjamin Mkapa and Mr Yoweri Museveni, "strongly condemned and rejected" last week's army-backed bloodless conp. They announced that a regional summit would be held to Wadnesday in Awaka, northern Tanzania.

Leaders and laggards in EU regional aid stakes

European Commission survey provides an insight into where the money goes - or doesn't

Behind the raw statistics in the latest European Commission survey on regional aid spending is the question: does the EU have more money than it knows what to do with?

Sucb remarks are regarded as heresy in Brussels. Regional aid is the second most important spending programme behind the common agricul-tural policy, it has come to symbolise the polltical "solidarity" between the richer northern countries, the poorer south, and outlying regions. Yet there is no denying the

size of unspent funds in the structural aid budget. In 1994 and 1995 alone, almost Ecu2hn (\$2.5hn) was left

untoucbed. The accumulated total of Ecu20bn going back to 1996 is also a source of embarrassment, even if it is inflated artificially because It takes no account of the slow take-up at the start of the 1994-99 spend-

The Commission survey looks at the four chief catego-

ries of regional aid: Objective 1 and to a certain extent Gerfor poorer regions with income levels of 75 per cent (or less) of the EU average; Objective 2 for areas of industrial decline; Objective 5b for declining rural regions; and Objective 6 for the Arctic regions of Finland and

A closer look at the statistics offers an insight into the politics and economics of regional aid, as well as a guide to the leaders and laggards among member states in winning approval for projects and executing them on the ground. The star performers are Por-tugal and Ireland.

These countries receive additional financial support from Brussels through so-called "cohesion funds" and are past masters at winning and using

Spain also scores highly, though its performance is slightly exaggerated because it is such a large recipient of funds and the total figure, again, includes the slow start-up in 1994-96.

The poorest performers are

Italy, Belgium, Britain, France, poor performance is attributed

many and the Netherlands. Italy alone accounts for a quarter of the Ecu20bn backlog but as with several other countries it showed an incapacity to translate Brussels' approval for projects into actual work on

Thus, in 1994/95, the Italians won Brussels commitments amounting to 69 per cent toward the planned projects: hnt the actual EU payments fell to 35.3 per cent as a result of delays on the Italian side. Italy has traditionally found it difficult to present suitable projects in a timely fashion to Brussels, but another reason for its poor performance is linked to the arrest of some local officials on corruption charges.

France showed a similar sbortfall, with commitments of 73.8 per cent falling to actual navments of 37.9 per cent. The equivalent figures in 1994/95 for the Netherlands are 59.7 per cent and 30.1 per cent. Belgium showed a fall-off from

53 per cent to 33.8 per cent. Its

to the fact that it qualified for the first time for Objective 1 the EU, chiefly because mem-aid on ideological grounds. The status in a controversial deal which encompassed parts of north-eastern France. Officials characterise "the

Greece France Fortugal

biggest weakness in the system" as a country's ability to carry over commitments from Brussels to future budgets. But Mrs Monika Wulf-Mathies, regional affairs commissioner, hopes to rectify this with a clean sheet starting from the end of next year. Commission officials blame

ber states, particularly in the north, are reluctant to commit money to projects when they believe the savings could be used more profitably to bring down public deficits in an attempt to meet the targets for

monetary union next year. But Britain also fared badly, falling from an initial 82.4 per cent on commitments to 39.8 per cent in payments. Officials, however, also blame the British government for refusing to

suspicion is that the Tory government does not want to be seen "in bed" with Brussels or encouraging future increases in regional aid.

One area stands out for criticism: the roral aid programme which is run by DG6, the farm directorate at the Commission. The take-up in this programme is so slow that it only reached 36.9 per cent in 1994/95. "The figures are catastrophic,

clashed over the ownership of

St Vitus cathedral, spiritual

home to the Czech Catholic

community. They may do so again when an appeal case wending its way through the

nation's legal system is finally

heard, writes Vincent Boland.

century but only completed in

the 20th, the cathedral is in

the grounds of Prague Castle.

Vitus, an ancieut Church body.

Then, in 1954, the Communist

regime effectively nationalised

After the Velvet Revolution

a petition was launched by

cathedral returned to the

cburch. This is being resisted

in the courts by government

The outcome is important

both for the church, trying to

and insecure state seeking

fixed points in the cultural

and the split with Slovakia.

reassert itself, and for a young

cape after communism

Dating from the 14th

Ownership was originally vested in the Canons of St

it, cutrusting it to the

president's office.

Czech church property prompts unholy row

Vincent Boland reports on a contentious plan to return land confiscated by the Communists

It is very rare for the Czech property already returned. Catholic Church to become Lembroiled in a beated political controversy. A streak of anti-clericalism in the native character and active oppresslon during the Communist regime have taught it to adopt

a low profile. But when the Cardinal Archbishop of Prague issues a statemeot denouncing "those who do not wish to remedy the crimes of communism", and a Communist party MP retorts by quoting the Bible in parliament, something more than an outburst of "cucumber seasoo" politics is afoot.

The issue that bas aroused such passions is a government proposal to return to the church 175,000 bectares of forest and other land confiscated under communism. It has become the first political row of the new parliament after last week's victory for the prime minister. Mr Vaclav Klaus, in a confidence motion. The vast majority of prop-

erty confiscated by the Communists after they took power in February t948 has been returned to its original owners or their descendants since 1990. The Catholic Church has been a heneficiary of this windfall: monasteries, schools

and residences are among the THE FINANCIAL TIMES THE FINANCIAL ITMES
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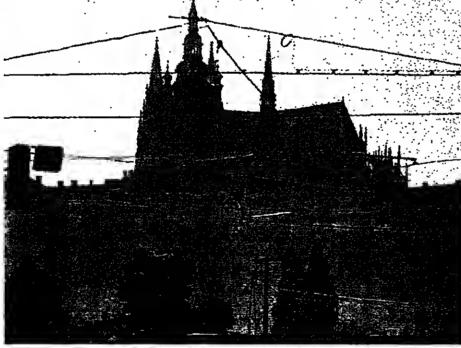
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The hig outstanding claim is the church's demand for its land to be returned. This has been resisted up to now hy the Czech Republic's avowedły ular politicians, aware that transferring such vast tracts may not be popular with the

The new proposal is an initlative of the Christian Democrats (KDU), a junior partner in Mr Klaus's minority government. The KDU made restitution a condition of its support for Mr Klaus and socceeded in baviog the measure imple-mented by decree. This treats the restitution as a privatisatioo, which it essentially is. In return the government will phase out state subsidies to the

The opposition Social Democrats and Communists have objected, claiming that the property is public and that its restitution is tantamount to giving the church an "economic empire". But oo Friday they failed for a second time to block the measure in parliament, potentially clearing the way for the restitution to proceed. Not even the citing of a biblical reference to the church's vow of poverty by Communist MP Mr Miloslav Raosdorf could sway the house, and in any case the Czech Catholic Church is not

wealthy today. In an attempt to drum up support among a sceptical Czech public, Cardinal Miloslay VIk attacked opposition to the restitution in an unusually strongly worded statement. Anyone who argues that church property which is currently in the hands of the state is public property is not speak-



The future of Prague's St Vitus cathedral is enmeshed in a tangled legal web

used to stupely us for 40 years," he said. Not all the opposition to the

measure is political or anticlerical. Commentators bave pointed out that a lot of Czecb forests are heavily polluted. Only the state could afford to regenerate them, they said. and the church's record as a landowner was not admirable. Until this century the church was one of the biggest land-

ing the truth, is using the via. Mr Miloslav Fiala, its demogogic and populist tricks spokesman, sald that from the wblch the previous regime reign of King Charles IV in the second half of the 14th century the church owned about a third of all forests in the provinces. Moch of it belonged to monasteries endowed by rich

merchants. This considerable heritage was retained through-ont the Habsburg era, with which the church was closely Identified Bishops spoke Cerman rather than Czech, putting them at one remove

gradually alienating them. the First Republic between the two world wars, when resentment at the imperial role of the church was reflected in growing official hostility. By the second world war its land holdings had been reduced to the 175,000 hectares now subject to the restitution order, representing about 7 per cent of all

forests in the Czech Republic. In the view of ooe Churchman, restitution could cause economic problems for the from their congregation and church because it would not

The backlash set in during

produce enough income to replace the subsidies, amount-ing to some Kč100m (\$3.5m) a year. Church officials estimate that income from the forests would amount to only Kč50m a Although the opposition

failed to block the restitution, it may try again. In the mean-time it has said it will put forward proposals for the complete separation of church and state, which may finally end the rows that have dogged rela-

African leaders called a summit over the coup in Burundi as

on Wednesday in Arusha, northern Tanzania.

Ugandan government officials said Tanzania, Uganda, Rwanda, Burundi, Zaire, Kenya and Ethiopia would take part

Turkish hunger strike called off as government caves in

By John Barham in Ankara

Hundreds of Turkish hunger strikers called off their protest at the weekend, after forcing the government to accept many of their demands.

Twelve leftwing militants died last week as the 69-day hunger strike reached its climax. More deaths could follow. as about 20 protesters, now in intensive care, are very weak. The new islamist-led govern-

ment was clearly relieved with bul's huge Bayrampaşa prison However, Turkish media criticised its "indecisive" handling of the crisis and said it had hrought shame on the country by attracting more international criticism of Turkey's human rights record. The hunger strike ended

after the government allowed a

the negotiated end to its to meet prisoners and negotigravest domestic policy crisis. ate an end to the hunger strike. Agreement followed a government threat on Friday to storm the larger prisons. which it claimed bad become no-go zones.

The government agreed to a key demand hy promising to transfer 102 inmates to prisons in Istanbul. Militants also group of MPs, leftwing writers demanded improved prison prisons. Mr Syket Kazan, jusand musicians to enter Istan- cooditions and the right to tice minister, even said that

serve their sentences near militants had smuggled arms stronger than before. He aratists and security forces their bome towns, or, in the into the prisons. added: "This government has ends. More than 20,000 civil." case of remand prisoners, to be held near the town where they were being tried.

The hunger strike began in May after the government claimed prisoners at Bayrampasa and Umraniye controlled their blocks and used cellular phones and faxes to plan terrorist operations outside the

Although human rights cam-

paigners are pleased the hunger strike has ended, they doubt it signifies progress in Turkey's attitude to human rights. Mr Yavuz Onem, head of Turkey's Human Rights Foundation, said: "This is a defeat for the government but I do not believe there will be an

no positive political will and no power."

Campaigners say violations have escalated, after a noticeable improvement last year, when the European Union linked progress in human rights to ratification of a customs union with Turkey. They add that little improvement improvement in human rights. can be expected until the 12-The power of the police is year war between Kurdish sep-

ends. More than 20,000 civil ians, soldiers and guerrillas have died in the fighting in southeastern Turkey. Not only is the region the

41.500

 $j \in \mathcal{G}$

scene of most violations, but the war has strengthened the powerful security establishment and justified the stifling of dissent. About 15 per cent of the 8,300 prison population is beld under Turkey's tough

the

Il fee I oberia elections

become partie to Vietnam

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Algeria press Indonesia restless under Suharto's tight rein Greg Earl on the discontent behind Saturday's rioting in Jakarta Y asterday, was an political system headed by resident Suharto, one of the world's longest-serving leaders. Whether this option over whether Mr. Sharto would stand were whether Mr. Sharto would stand in the sharto would stand over whether Mr. Sharto would stand in the shart would stand were whether Mr. Sharto would stand were whether Mr. Sharto would stand were the shart of the sha as trial opens By Roula Khalaf in London Journalists from Algeria's French language daily La Tribune stand trial today accused of denigrating the Algerian fig in a cartoon, an offence under Algerian law. The car-

flag in a cartoon, an offence under Algerian law. The cartoonist, who compared the flag to dirty linen, has spent the last three weeks in a topsecurity Algiers prison.

The Algerian regime'a suspension of the newspaper and be jailing of the cartoonist are among the harshest measures among the harshest measures taken towards the independent press in recent years. Journalists in Algiers say they are an over-reaction by authorities to built-up irritation with La Tribune's reporting, a claim Alge-

rian officials deny.

The Tribune case has generated outrage from international human rights groups as well as local opposition lead-ers, some of whom took up the issue in recent meetings with President Liamine Zeroual. The talks were aimed at convincing sceptical opposition leaders that the president's plans to reshape Algerian politics were aimed at promoting

democratic institutions. Algerian newspapers have traditionally enjoyed a certain amount of freedom compared with the press in the rest of the Arab world. Since 1992, however, they have been caught in the crossitre between Islamic. extremists, who hunt them. down because they see them as the embodiment of a system they despise, and a governstrife in Algeria in 1992, more than 40,000 people have died, including over 50 journalists. Last year newspapers were encouraged to splash across their pages gruesome pictures of violence against civilians to

emphasise the danger posed by Islamists. Today, the aim is to project the image of a return to

after the Algerian government decided to extend free market reforms to the media.

Algeria embarked on a pro-gramme of economic liberalisation in 1994 and the govern-ment has now lifted subsidies paid to printing plants and liberalised the price of newspa-

The independent press relies so heavily on the state that even office rent is subsidised by the government.
But publishers have balked

at the prospect of paying more for printing costs. Printing plants are all state-owned, overstaffed and so poor at bargaining that they pay exorhitant prices for paper. Moreover, while asking independent publishers to pay the full price for printing, money-losing state-owned newspapers which use the same presses are given a free ride.

Compensating for the increase in printing costs by raising the sale price of their newspapers is not much of an option. At a time when economic reforms have eroded purchasing power, the move could kill many titles. Nor can publishers hope to

increase advertising revenue. With up to 80 per cent of advertising derived from government enterprises and chanment that uses them to fight nelled through a single its campaign against Islamists. government agency, publishers Since the eruption of civil say winning more advertising depends more on how pleased the government is with what a newspaper prints than on the publisher's marketing skills.

"There is talk of applying the free market to the press but the reality is different," says the editor of a leading paper, "No one really wants market reforms because it would mean stability. Thus newspapers can losing the leverage the govern face suspension if they report ment exercises on the press." losing the leverage the govern-

HK mobile phone licences awarded

By Louise Lucas in Hong Kong

China and Britain agreed at the weekend on the award of six new mobile phone licences for Hong Kong, ending a year-long standoff and unleashing abont HK\$6bo (\$776m) in planned medium-term investment by the winning consortia.

The breakthrough signals hope for the huge backlog of issues still to be resolved by the Sino-British Joint Liaison Group (JLG), which is charged with pegotiating the details of the transfer of Hong Kong's sovereignty on July 1 next year. These includa nationality

and extension of the port.

Talks on the mobile phone licences, seen as a test case of Hong Kong's business autonomy, were prolonged by Beijing's wish to issue fewer licences. This was inspired by industry lobbying, which cir-cumvented the colonial government and targeted China.

Among the winners are Peoples Telephone, a consortium formed just weeks before the deadline for bids elapsed, which is led by China Resources, the mainland investment and industrial group; and Hutchison Telephone, part of Mr Li Ka-shing's business empire.

As expected, Hongkong Tele-

Cable and Wireless of the UK, failed to clinch a licence. Analysts attributed its failure to an uncompetitive bid - it is understood to have pitched its per-minute fees at roughly dou-ble those of fellow bidders although some say its rejection was politically motivated. Hongkong Telecom, the market leader in mobile services, said it believed its submission was highly competitive.

Mr Donald Tsang, acting governor, said. "Issue of the licences will allow the successful bidders to make investments of more than HK\$6bn in aggregate over the next few years and will lead to the creation of more than 2,500 new jobs in the telecommunications industry." But analysts and spurned industrial groups believe the consumer bonanza may not translate into a business bonanza for all six winners. An aggressive price war, led by Hutchison, broke out in the territory earlier this year,

eliminating profits on handsets and reducing charges. The other four winners are Mandarin; New World PCS, whose parent already operates a fixed line service in Hong Kong, Pacific Link, an existing mobile operator, and P-Plus, which incindes Taiwanese

lish. It was a silence welcomed by the military after Satur-day's rioting, the worst for more than two decades. There was one exception. Harian Terbit, a downmarket daily, did come out. The trony will not have been lost on the country's rulers. For Harian Terbit is part of a newspaper stable owned by Mr Harmoko, the minister for information, who as chairman of the governing Golkar party has been in the thick of the government's campaign of pressure against the opposition Indone-sian Democracy Party (PDI).

This is the sort of contradiction that abounds in Indonesia, where a liberalised economy lions of dollars. functions alongside a stagnant The property damage was

ship persists is now in question and the fallout could have a

significant impact on foreign

Domestic Indonesian banks suffered worst in the rioting that spread from the opposition PDI office in central Jakarta. Police raided the premises after Ms Megawati Sukarnophtri, the party's deposed leader, refused to give up office following her defeat by a government-supported candidate last month. The violence spread to a secondary commercial district causing damage valued at tens of mil-

inflexible political system.
World Bank figures show

that Indonesians continue to experience strong growth in per capita income compared with other developing countries, but there is a rising public sense of much greater eco-

nomic inequality.

The PDL a motley collection of parties forced into a merger in 1973, has suddenly become a focus for this economic discon-tent and political frustration. Under the leadership of Ms Megawati, daughter of Indonesia's flamboyant first president, Mr Sukarno, who was deposed by Mr Suharto 30 years ago, the PDI was threatening to

trip for a health check. The government determination to suppress Ms Megawati's political ambitions and quell her growing support came to a head earlier this month when it sponsored a rival to her lead-

ership. After weeks of specula-tion about a takeover of the PDI office, police broke in on Saturday morning to hand it over to the new government-backed PDI chairman.

The ricting started as some police lost control of the crowds trying to join a pro-Me-gawati protest near the office. But while thousands watched, only hundreds were actively participating. That appeared to



reflect both a reluctance to confront the government's military power and a sign that the emerging middle class is not yet ready to follow its Thai and Korean counterparts in demanding change.

Although Ms Megawati once again refused to confront Mr Suharto, it was the sight of strolling families back on the lence that would have given him most comfort.

In the red corner, Shilowa

SOUTH AFRICA By Roger Matthews

South Africa has not had a really good political scrap for more than two years. Since the general election in April 1994 fare has been pretty thin. Mrs Winnie Maudela has been fired from the cabinet, the Inkatha Freedom party and the African National Congress have periodically snarled at each other and the National party has quit the government of national unity. But it is scarcely the blood and guts drama to which South African media had grown accustomed. Enter Mr Sam Shilowa. Opin-ion is divided whether Mr Shilowa, general secretary of the Congress of South African Trade Unions (Cosatu), is the great black hope of political writers. Certainly he has enor-

mous potential. In a week when it was not easy to grab headlines, Mr Shilowa has performed creditably. At the start of the week he had to contend with reports that President Nelson Mandela was paying court to the widow of Samora Machel, the late president of Mozambique. The story was based on sightings of the pair holding hands and cudding. But as the president likes to hold the hands of and

> Miss Penny Heyns, whom the president will undoubtedly cuddle fairly soon, posed a much more serious challenge

occasionally cuddle, more than

a few of the ladies he meets.

the speculation was difficult to

Africa's first Olympic gold medal since 1952 and then added a second.

devoted no fewer than six pieces to variations on a Shilowa theme. So what is it thet

But it was not all jolly, nation building harmony around the Olympic pool. Sit-ting, watching Miss Heyns' tri-umph were 17 of South Africa's biggest political fish, each one a minister or deputy minister. That was 40 per cent of the entire cabinet, gulped the Financial Mail, which feels almost as strongly about gravy trains expanding into gravy planes as it does about Mr Shilowa. Ministerial explanations for their presence, at taxpayers' expense and in one case accompanied by wife and children, were not all wholly con-vincing but the media's indignation had by the weekend largely evaporated.

Mr Shilowa, however, was still swimming strongly. The Sunday Independent yesterday Fund and the World Bank. He

Mr Shilowa has done that

makes him so newsworthy? First, speaking to a Commu-nist party gathering, he ques-tioned whether the alliance between the party, Cosatu, and the African National Congress could last much longer, given the government's shift in economic direction. He followed that up with a report on a three-day meeting of the Cos-atu executive which concluded the government'a economic blueprint issued last month was a recipe for disaster. Mr Shilowa argued that the

government was betraying the mass of people who supported it by opting for market-ori-ented policies, encouraged by such loathsome organisations as the International Monetary

DATEPURE 18

also suggested that the govern-ment did not have the backing of the ANC rank and file, and that these policies were the prodoct of individual ministries, in particular finance, headed by Mr Trevor Manuel.

Business Dmy, no great fan of the unions, thought it "right and proper" that Mr Shilowa and Cosatu should engage the government in economic debate, although it was a shame more time had not been allowed for consultation before the policy was launched. But the rand crisis dictated speed, and Business Day was unclear what the unions' alternative policies were. "Perhaps Cosatu has answers not yet discovered by anyone else in the world of

economics," it scoffed. Many of Mr Shilowa's answers were contained in a policy document issued earlier this year. He wants lots more government spending, more emphasis on housing and wel-fare for the poor, higher taxa-tion of the rich and the corporately successful and no

But although the battle lines are drawn, no one is sure the generals are ready to fight. In limited skirmishes on labour relations legislation and the has come out ahead.

Mr Manuel has warned, however, that the main pillars of his economic policies are not open to negotiation. Mr Shilowa does not believe him, nor it seems does much of the South African press. The whiff of political excitement in the air rests on the chance that

pact to have any meaning,

even at the risk of a long wait

Mr Ramaker's draft would

for it to enter into force.

Doubts afflict UN conscience on environment

Environment Correspondent

United Nations Environment Programme (Unep) was supposed to be the world's conscience on the environment, Yet 25 years after its founding, it is adrift in remote headquarters, starved of funds and accused of weak leader-

ship.
The US and Britain attribute a large share of the decline to Unep's executive director, Ms Elizabeth Dowdeswell, who is a Canadian former environment ministry official.

"I can't think of a time when there was a greater need for an international organisation dealing with the environment," says Ms Eileen Claussen, the US assistant secretary of state for international environmen-

tal affairs. "But I'm not sure we have one that fits the bill." Several other countries. including France, the Netherlands and Brazil, are also dis-satisfied with Unep's perfor-

mance. Under Ms Dowdeswell's flamtafa Tolba, an Egyptian microbiologist who ran the organisation for 17 years, Unep enjoyed a high profile but lacked an efficient organisation. Now, say the critics, it has neither.

Four years after Ms Dowdeswell took on Unep with a reform mandate, Unep is still in the throes of reorganisation and debating what its priorities should be.

"You can't talk about change for too long, you've just got to do it," said one official familiar with Unep. "Unep should just pick four or five areas and get on with them, but there's not

much confidence in Dowde-swell's ability to pull that off." While Mr Tolba's achievements included blockbuster agreements such as the 1987 Montreal protocol for phasing out ozone-depleting chemicals, Ms Dowdeswell'e record is less

easy to assess. Mr Hans Alders, Unep'e outgoing director for Europe, points to her progress in building on the Montreal protocol and the drawing np of guidelines regulating genetically

environment. Under Ms Dowdeswell, who has sought to work more closely with industry, Unep also co-sponsored a pledge initiated by the insurance indus-try to pay more attention to the environment.

A tireless globe trotter, Ms Dowdeswell recently launched in London a "global public edu-cation programme" with Consumers International, an association of consumer groups. But it remained unclear how that effort, which has yet to find funding, would complement actions already undertaken by national govern-

Unep is in throes of reorganisation and is debating its priorities

"We feel they should limit themselves to the most important issnes and activities where they have a specific forte," says Leenw, a diplomat at the Dutch embassy in Nairobl with

responsibility for Unep.
As donors' dissatisfaction with Unep has mounted, it has become an easy target for budget cuts. This year, the US halved its Unep contribution

from \$16m to \$8m. The organisation's problems are compounded by difficulties related to the UN system. In a gesture of solidarity with the third world, Unep is based in Nairobi as the only UN organi-

sation in Africa. This is despite the fact that it has no specific business in Africa, in contrast with the United Nations High Commissioner for Refugees, based in

There is confusion over various UN bodles' overlapping responsibilities for the environ-

Yet it is the UN system which is likely to prove the single biggest obstacle to finding the best candidate to rescue Unep from its tronbles as top UN jobs are decided not by competition but by international horse-trading.

easyJet

The Star's cartoonist sees Trevor Manuel as receiving little help to Mr Shilowa. She won South from Sam Shilowa in lifting the economy's performance Moment of truth for N-test pact

Disarmament envoys are due to make clear today whether they will approve a draft nuclear test ban treaty for signing in the autumn. Negotiations ended on June 28 with-

out agreement:

The US, Russia and Britain have already publicly backed quick approval of the draft accord compiled by Mr Jaap Ramaker, the Dutch chairman of the talks. Most other nations are expected to follow suit. India, however, has refused to withdraw its threat to veto the pact despite intense pres-sure from Washington and elsewhere, most recently at last week's meeting of southeast Asian foreign ministers in Jakarta. In 1954 it was the first nation to call for a comprehensive test ban treaty, and has said it will not sign the treaty because it does not commit the

five declared nuclear powers to

a fixed timetable for total Non-Proliferation Treaty, are nuclear disarmament.

However, New Delhi could go further, and block the required consensus for the treaty to be adopted by the 61member United Nations disarmament conference. This is ecause it strongly objects to the proposed requirement that india's ratification, along with that of 43 other states, be a precondition for the treaty to enter into force. It says the requirement infringes its sovereign right to decide whether

to sign the pact or not. The draft accord stipulates ratification by all countries with nuclear power installations that are also members of the disarmament conference. This includes the five official nuclear nations - the US, Russia, Britain, France and China - and the three "threshold" states of India, Pakistan and Israel. The latter, none of

which has signed the Nuclear

nuclear weapons. The disarmament confer-

ence, which began negotiations on the pact in early 1994, is due to forward the treaty to the UN General Assembly ready for signing in September. If this deadline is not met, diplomats fear the opportunity to agree a comprehensive ban will be lost Officials accompanying Mr

Warren Christopher, US secretary of state, on a visit to Australia said at the weekend that they saw no possibility of changing the membership

The US and many other countries would have preferred a more flexible formula that become effective without India. But Britain, Russia and China, backed by Pakistan, have insisted that all the threshold states must be included for the

enable countries that had ratified to call a special conference to decide on action if the treaty was still not operational after four years. The conference could not waive the basic membership conditions, but one option, according to diplomats, might be provisional application of the treaty, especially if all five nuclear powers were on board.

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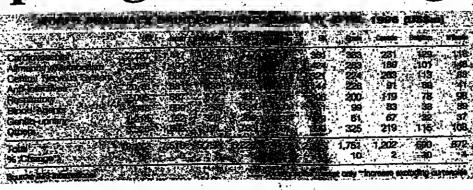
Japan spurs growth in drug sales

Growth in sales of prescription drugs gathered pace in April thanks to a recovery in demand in Japan, the world's second biggest market. The increase was not enough, however, to lift

growth much above half the level a year ago.
Drugs sales for the first four ment cares montha of 1996 in the world's 10 biggest markets were worth \$47.1bn, according to IMS, the specialist market research

organisation. This was an increase of 8 per cent compared with a rise of 5 per cent for the first three mooths of the year and 11 per cent for the same period of

Sales in Japan for the first four months of 1996 were unchanged in constant currency terms at \$7.5bn. Sales had fallen by 4 per cent



in the first quarter as wholesalers destocked in anticipation of mandatory government price cuts in the

The US remained easily the world'e biggest single market with sales for the first four months of \$19.2bm, an increase of 6 per cent on the same period of 1995. Europe grew faster, with

celes in the too seven markets up 9 per cent to \$19.2hr. Part of Europe's strength is dne to a recovery from government price control measures imposed in 1994 and

Italy has seen the most stringent price controls until this year and sales there grew 13 per cent to \$3bn. Since April, further drugs

spending measures have been proposed by Rome. \$5.8hm an increase of 8 per cent. France, the second cent, to \$5.2bn. The UK grew by 11 per cent to \$2.1bn. The fastest growing of the

Germany is the biggest European market, with sales of biggest market, also grew 8 per

important medical areas remain nervous system drugs,

Anti-infective drug sales fell 3 per cent to \$5bn thanks largely to a 23 per cent decline in Japan. Respiratory drug sales rose & ner cent, also to \$5bn, even though sales in Japan fell 18 per cent.

which includes Prozac, the anti-depressant made by Eli Lilly, and blood agents, which includes the relatively new class of drugs that lower Nervous system drug sales grew 13 per cent to \$6.5bn. They are now easily the olggest class of medicines in North America, having overtaken heart and digestive Blood agent sales grew 17 per cent to \$2.7bn. Sales of anti-infective drugs, including antibiotics, and respiratory

by the winter's short influenze

drugs, including asthma inhalers, remained depressed

US learns to live with home-grown terror | Agreement on '

A succession of bombings is forcing Americans to redefine attitudes. Patti Waldmeir reports

mericans bave long held one truth to be A held one truth to be self-evident: that terrorism is un-American. They have pitied the citizens of Jerusalem and Beirut and Belfast and Sarajevo, pitted them their daily fear of violent annihila-tion. But thet just made them prouder to live in the safest and strongest nation on earth.

The spectacular terrorist bombings at the World Trade Centre in 1993 and Oklahoma City in 1995 powerfully shook that national complecency. When it became clear that the Oklahoma bomh was planted by fellow Americans, it was a further shock. Terrorism could no longer be treated as an alien threat; it had to be seen as a home-grown menace. To judge from the comments

of hundreds of ordinary Americans and politicians -aired on the national news networks - the national psyche has taken another serious hit over the past few days.

In recent weeks, the televi-sion public has seen, in rapid succession pitiful images of domestic debris from the recent attack on US military personnel in Saudi Arabia. In the wake of the Atlanta bomb, senior ministers from the world's leading economic nations will meet in Paris tomorrow to step up the fight against terrorism, Andrew Jack reports from Paris. Foreign and interior

ministers from the Group of Seven leading industrial countries and from Russia will debate practical and legal measures to crack down on

a Filofax bobbing in the seas where TWA flight 800 crashed. merce secretary, to the congregations of hurned black and at the weekend, bloodied spectators at Centennial Olympic Park in Atlanta. By yesterday. CNN had put the most dramatic images together in a kind of collage of terror, comsombre commentary.

"It seems like every week-end, the flags are at half-mast." one ABC commentator lamented, while other net-works endlessly explored the phenomenon of "another day. another bomb". One of the TV talking heads noted that PresiTheir meeting follows two days of talks earlier this month in Paris by experts from the countries, and was triggered by a resolution at the G7 summit in Lyons at the

Among the propositions to be discussed is a new United Nations declaration stressing that terrorist acts are against UN principles. The aim would be to tighten asylum-seeking laws to prevent perpetrators

spend more time consoling peo-

Ron Brown, the former com-

churches, to the Valulet and

TWA families - than doing

bomb, Mr Clinton appeared in

a netionally televised news

conference to deplore the evil

of the deed. His first thought

on hearing of the bomb, he

said, was for daughter Chelsea, who is attending the games,

children who had suddenly

become terrorist targets.

Shortly after the Atlanta

almost anything else.

ple - from the widow of Mr

identify specialists in each country to belp in the fight against terrorism, as well as a resolution to strengthen member nations' resolve to fight terrorism. President Bill Clinton of the US pushed to ensure that

protecting themselves from

The ministers are also

network of "centres of

calling for the recognition of a

prosecution.

Americans when be said the Atlanta attack was "directed at the spirit of our own democ-. For the Atlanta bomb is just the sort of thing that hrings out the pstriotism of Americans. Radio and television talk shows carried the comments of callers condemning the bomb as an assault on the American way. The rightwing Washington Times newspaper said the explosion struck at "the very core of what it means to be an American", and went on to define thet quality as the fierce defence of individ-

Other countries under the shadow of terrorism include Russia, which has suffered from a series of attacks on its Moscow metro system and France, which is still investigating links between Islamic fundamentalists and a

series of bombings in Paris

and other cities last autumn.

terrorism was an important item at the G7 meeting in the

wake of the attack on US

troops in Saudi Arabia.

except occasionally st airports. But yesterday there were also signs that Americans are redefining "the very core of what it means to be American" in this regard. Since the Union was formed, they have considered personal security an inslienable constitutional right, like freedom of speech. But one national television network was vesterday suggesting that Americans not just accept the new insecurity, but begin explaining it to their children as a fact of life.

"You can't tell your kids ual freedoms coupled with a they are completely safe any-national distaste for bag more," bemoaned an ABC ing a child psychologist from California to ascertain the best method of breaking the news that, despite a long history as one of the most violent nations on earth, one bomb has suddenly made American an

unsafe place

But the last word went to the Atlanta mayor, Bill Campbell, who said, echoing the words of the Negro spiritual, "we shall overcome." That seemed to be the prevailing mood in Atlanta at the weekend, where spectators patronised Olympic sporting events in large numbers, and where many voiced defiance. It was the overwhelming conclusion of almost every newspaper columnist and talk show host: America must be

As Washington Post columnist Tony Kornheiser wrote: "We're in the same boat with the rest of the world. We're as vulnerable as them. And like them, we have to learn to live with it. And get back on the hus. And go back to the mar-

Or as President Clinton said, for the nation: "We cannot let terror win. That is not the

dollar parity is guaranteed by

the government as the corner-

There were no signs, how-

ever, of general panic. According to a poll published in

Clarin newspaper, 70 per cent of Argentines believe the presi-dant was right to sack Mr

Cavallo and 80 per cent think

economic policy will not be

rators may have been per-

suaded to stay on, including

Mr Carlos Bastos, the powerful

Some of Mr Cavallo's collabo-

affected.

stone of economic policy.

gold sales still eludes G7

By Robert Chote, Economics Editor, in Washington

Semor officials from the Group of Seven leading industrial countries failed again last week to agree on the sale and reinvestment of part of the International Monetary Fund's gold reserves to finance debt relief for poor countries. The meeting of G7 deputies in Washington failed to dis-

lodge Germany from its opposition to gold sales. This under-mines the confidence expressed by the US and UK after last in Lyons that gold sales would eventually be epproved.

Advocates of gold sales con-

cede they cannot yet be confident that they have the required 85 per cent support needed to approve the move in the IMF's executive board. One IMF insider said firm support probably stood at 80 per cent

Mr Michel Camdessus, the IMF's managing director, has proposed selling \$2bn worth of the organisation'e \$40bn gold reserves to help put its conces-sional "enhanced structural adjustment facility" on a permanent footing. He has made this a precondition for the IMF's participation in the joint initiative on poor country debt being drawn up with the World Bank. The IMF's contribution to the initiative would involve extending the maturity of Esaf loans or giving countries grants with which to meet part of their debt service payments Germany, which wields 5.5 per cent of the votes on the IMF board, opposes even the modest sale of gold proposed by Mr. Camdessus on the grounds that it sets an undesirable precedent for further sales. Bonn is also concerned that gold sales are dangerous when the IMF is landing beavily to Russia and Mexico. and that it might encourage

demands for the sale of domestic gold stocks. The US and Britain had hoped to win over Switzerland but a personal intervention by



npposes his gold sale proposals

finance miniater, trumped

their lobbying efforts. The Swiss, whose constituency has 2.8 per cent of the votes on the board, also want to avoid stoking up support at home for the idea of selling domestic gold to finance trans-Alpine tunnels. One member of the IMF board said Japan (5.5 per cent) was now likely to support gold sales, but the Italians (4 per cent) had come under strong pressure from Germany and therefore remained "ambivalent". To block the proposal the Germans would therefore probably need the support of either the Nordic constituency (3.5 per cent) or the Austrian/ Belgian constituency (5.1 per cent). There are differences of opinion within both these con-

If the issue is put to a vote, this is unlikely to take place

stituencies, although eventu-

ally each will have to vote as a

until September. The continued deadlock leaves the poor country debt initiative in an increasingly precarious state. The Paris Club of creditor governments made no progress in agreeing its own contribution to the initiative when officials met in Paris recently.

The Paris Club rejected the

idea of holding a special meet-oring to discuss the issue, but officials believe it may bring forward the date of its next formal meeting from Septem-

Venezuela starts to make Argentina's new economy inroads into public debt | chief pledges continuity

Venezuela is making headway in efforts to reduce its \$32.6bn public deht, fullowing the implementation of an economic stabilisation plan backed by the International

The government bas resumed payments on foreign debt arrears, is settling liabilities between state entities, and is hammering out details of a plan to restructure its debt profile and ease repayments, which peak next year due to

"What we are trying to do is reduce, restructure and order our debt so as to redirect funds towards productive investments and stimulate economic growth," said Mr Nestor Snárez, director of public 59 per cent.

ourden had acted as a recessionary brake for the past 15 years, he added. The finance ministry forecasts negative growth of 1 per cent for

Though the country's debt is manageable in relation to its exports (an estimated \$1.6bn per month) or international monetary reserves (currently \$10.1bn), it still represents a

The total annual debt service, expected to reach \$5.9bn this year, represents about balf of hadgeted ordinary income, according to the finance mmistry. The government bapes to reduce this to between 35 and 38 per cent by 1998. The country's external debt-to-GDP ratio is currently

egy is a legislative proposal to he approved by congress in coming days that would establish a "debt rescue fund" using proceeds from future privati-sation and windfall oil revennes. The latter has been made

possible by an oil price in the

year to date almost \$2 e barrel higher than budgeted. Throngh the deht rescne able to finance deht conversion and reduction schemes. "It is a tool that congress wants to give President Rafael Caldera, which goes beyond raising taxes, to resolve the problem of the debt, especially the foreign deht," sald Mr Leonardo Montiel, a senator who co-sponsored the hill in

Mr Roque Fernández, who today replaces Mr Domingo Cavallo as Argentina'a economy minister, has spent the weekend building a new team and reassuring markets of economic continuity.

Mr Fernandez, named economy minister after President Carlos Menem's surprise sacking of Mr Cavallo on Friday, is expected to draw much of his ministerial staff from the central bank, where be has been president since 1991.

Most of the heavyweights of Mr Cavallo's so-called "superministry" have resigned and few are expected to be enticed back in spite of entreaties from the former minister to stay on. Among the most significant

as other close allies of Mr Cavallo such as Mr Horacio and Mr Carlos Sanch ez.

Mr Pernández amphasised that policies would stay the same in apite of personality changes. "People can rest assured that the financial system will remain as it is, banks will open normally on Monday and the economic plan will continue," he said.

The Mervel index of blue-chip stock dropped 4 per cent on Friday after Mr Cavallo's sacking, and some analysts say markets could fall by as much as 10 per cent when trading resumes today. There were also reports at the weekend of Argentines

buying dollars for above the

minister of energy and trans-port, and Mr Felipe Solá, agriculture minister. Mr Fernández's position was strengthened by the endorsement of leading congressmen. Clash of personalities, Page 14 Mr Theo Waigel, the German

Keith Wheatley on the first African woman to win a marathon at a marathon at at marathon at a marath from the games. Lithuanian sprint cyclist Rita Razmatte was also found to have taken the substance and disqualified. She had come 13th in her event. A spokeswoman for the IOC said bromantan was a new drug, which had not been found in previous games. It acted as a performance-enhancer, but could also be used as a masking agent.

Korneev's medal may pass to British breaststroker Nick Gillingham, who finished fourth, depending on the decision of Fina, the swimming

Simpson survives ups and downs

World slalom cance champion Lynn Simpson, a 25-year-old British MBA student and economics graduate, came close both to drowning and to winning a gold medal in the women's section of the slalom competition. Simpson began her first run by capsizing shortly before the second gate on the 400m course, and had a nightmare further down when her kayak was sucked into the maelstrom between gates seven and eight and flipped over. "I thought I was going to drown there," she said.

But at her second attempt, Simpson confidently attacked the course. Her 161.71-second time was 5.2 ahead of the leader, Stepanka Hilgertova of the Czech Republic, but the judges penalised her 50 points for falling to clear a gate fully. Her final placing was 23rd.

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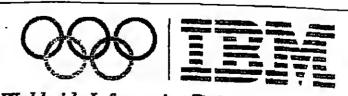
Women's quadruple sculls final: 1 Germany 6 minutes 27.44 seconds; 2 Ukraine 6:30.36; 3 Canada 6:30.38. Men's coxless lightweight fours final: 1 Denmark 6:09.58; 2 Canada 6:10.13; 3

Women'a lightweight double sculls final: 1 Romania 7:12.78; 2 US 7:14.65; 3 Men'a lightweight double sculls final: 1 Switzerland 6:23.47; 2 Netherlands 6:26.48; 3 Australia 6:26.69.

Women's marathon: 1 F. Roba (Ethiopia) 2 hours 26 minutes 5 seconds; 2 V. Yegorova (Russla) 2:28:05; 3 Y. Arimori (Japan) 2:28:39; 4 K. Doerre-Heinig (Germany) 2:28:45; 5 R. Rios (Spain) 2:30:50; 6 L. Simon (Romania) 2:31:04; 7 M. Machado (Portugal) 2:31:11; 8 S. Krolik (Germany) 2:31:16; 9 X. Ren (China) 2:31:21; 10 A.M. Lanck (US) 2:31:30.

Men'a points race final: 1 S. Martinello (Italy); 2 B. Walton (Canada); 3 S. Men's sprint final: J. Fledler (Germany) beat M. Nothstein (US) 2-0. Bronze medal: C. Harnett (Canada) beat G. Neiwand (Australia) 2-0. Women's individual pursuit final; 1 A. Bellutti (Italy) 3:33.595; 2 M. Clignet

Women's preliminary round: Britain 3, Germany 2; Australia 4, US 0. Men's preliminary round, group A. Pakistan 6, Argentina 2.



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The same

ATLANTA OLYMPICS

to learn from Atlanta agony

By Nikki Tait in Sydney

Mr Mal Hemmerling, chief executive of the committee responsible for organising the next Olympic Games in Sydney, was in earshot when the homb exploded in the Atlanta park on Saturday.

Mr Hemmerling has already said Sydney will review its security plans, acknowledging that previous strategy did not encompass the entire Homebush site, where many of the main sporting venues are being built: "The village is a secure site... but we will look now at the whole management of the Homebush Bay site, with the number of venues we have in the one precinct and determine what the appropriate security measures are."

Thousands of miles eway. Australians seemed to take the news from the US phlegmatically, with a gold medal by swimmer Kieran Perkins in the 1.500m freestyle doing much to offset the bomh drama. In general, Sydneysiders have been enthusiastic about bosting the Games in the year 2000, convinced that it will put Australia on the international map and that their city's stunning natural surround-

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ings will prove a winner.

But from the outset there have been been rumbling concerns over the cost, disruption and logistics of coping with an influx of visitors. Older inhabitants, meanwhile. sometimes question whether their relaxed and safe city would be the same again. Atlanta's experiences have done nothing to soothe such

Officials at the Sydney Olympics Games Organising Committee, most of whom are in Georgia taking notes, admit that the past week has been a sobering experience. "I don't think you realise the scale of the task until you see it," said one before the bomb added to the list of

However, SOGOC pleys down the likelihood of Atlanta's logistical problems being repeated. The geography is very different, officials point out, with most sporting venues some distance from the city centre and within walking distance of

the athletes' village. Australia's much smaller population should also mean that the total number of people arriving for the games will be lower. The number of athletes, meanwhile, will be strictly

limited to 10,000; in Atlanta, the figure within the Olympic village alone topped 10,500 ahead of the

opening ceremony.

"It is obvious that transport is going to be a particular challenge but no one is expecting 2m visitors to Sydney," said Mr Bob Carr, premier of New South Wales, in Atlanta last week.

The local huilding industry, bowever, has warned of potential labour shortages as construction work piles up, and a possible surge in wage costs. Also to be resolved are the capacity constraints at Sydney airport, although air bases to the north and west of Sydney might take the overflow.

Separate challenges arise on the "ceremonial" front, especially in devising an opening event. "We are going to have to do better than local suburban ballet school dancers dressed as koalas, bouncing beach balls to the sound of a didgeridoo,' Mr Carr was quoted as saying, after Atlanta's glitzy start. Relations with Australia's indige-

nous community are another delicate area. Tensions have increased following the change of federal government in March, and there have been some warnings that - despite official attempts to "showcase" Aboriginal culture at the 2000 Games - Australia could be beaded for embarrassment. A domestic controversy erupted when Cathy Freeman, the Aboriginal sprinter, wrapped herself in her people's flag for a victory lap at the Common-

wealth Games in 1994.
Finally, there is the question of By Judy Dempsey in Bonn who is to declare the games open. The last Labor government was keen for Australia to become a republic by 2000, ending the British monarch role's as Australia's head of state. The current conservative administration is ambivalent. Mr Tim Fischer, deputy prime minister, suggested Prince William, the eldest son of Prince Charles, might be an appropriate choice, given the new millennium. Local republicans responded with a mixture of aston-

ishment and outrage. The governor-general, the British crown's representative in Australia, would be the obvious compromise. But while Sir William Deane is both Australian and a distinguished lawyer, the question is how many of his fellow-countrymen would recog-

Sydney seeks Roba rules the road Russians lose medals for doping



ning margin in the women's marathon. Roba, a 26-year-old police officer, was so fresh after crossing the finish line that her pace in a victory lap was quicker than that of secondplaced Valentina Yegerova as the Russian closed on the tape.

"I knew that I had no chance against the Ethiopian." Yegerova acknowledged later. Japanese runner Yuko Arimori took bronze, 34 seconds behind the Russian. This pair had been gold and silver medallists, respectively, in Barcelona but were eclipsed in Atlanta by the unknown from Addis Ababa. Roba's time of 2:26.05 was several

minutes outside the Olympic record set in the inaugural women's marathon at Los Angeles 12 years ago. However, on the hilly Atlanta circuit it was a remarkable performance, the more so in the light of Roba's scant record. Her only previous maratbon performance was at the IAAF world championships in 1994 at Gothenburg, Roba, a skinny figure at 165cm and weighing just 48kg, finished 19th. In Atlanta she was on no one's list of possible win-

the others with better times hut soon realised that they were not running very fast today." said Roba. "I picked up speed and and they could not follow. At that point I was sure I would win because I had

practised very hard." Nothing in the first hour of the race indicated the surprises ahead. Fears of runners collapsing in the

Out of the stadium Uta Pippig of Germany made an early break and soon went into a clear lead. Coming

off three straight marathen wins, the most recent being Boston in April, the German was confident she could stamp ber authority on the race. At 10km she had a 30-se ond cushion on a chasing pack that included all three eventual medal-

But an hour and five minutes into the race the chasing group enveloped Pippig. Arimori led briefly but et 20km Roba had e six-second lead and thereafter she had little need to look back, stretching the margin continuously and without apparent Atlanta has a sizeable Ethionian

population and many of them lined the pavements waving national flags and cheering Roba on. She had an energetic wave and a massive toothy grin for all of them. As she entered the packed sta-dium shortly after 9am, Roba was in a state of euphoria. Crossing the finish she kissed the track, and

without pausing for breath set off

on a victory lap wrapped in the national tricolour. For four decades, back to Abebe Bikila in Rome and Tokyo and Mamo Wolde in Mexico City, the Olympic triumphs of male marathon runners had become part of Ethiopian national culture. Roba has surely begun a new era for her

sisters. Britain'e Liz McColgan came in 16th in 2:34.30.

Two Germanys better than one

Germany's Olympic commentators cannot explain it. The competitors can only say they really did their best. And the fans are terribly dis-appointed with the results so far: halfway through, the German team had won only three gold medals, nine silver and 15 bronze.

What a change from the 1992 Barcelona Olympics, when Germany came home with 82 medals, 33 of them gold. And they were third in the overall placings. This time, despite a flurry of medals yesterday, they are losing out to the most unexpected teams, whether to Slovakia in canoeing or to Egypt in handball.

who won gold in Seoul and Barce-

lona, had to settle for bronze at the

ers, tipped to win gold as in the past, failed to make an impact. This suggests that lack of training or experience are not responsible for Germany's poor showing. Perhaps one reason is that since Germany was reunified the intense

competition between the two Germanys no longer serves as an ideological incentive for each to ontdo the other in the medals league. That intensity was still there in The great rower Thomas Lange,

Barcelona but has since worn away as sport in Germany becomes "normalised" and much greater attention is paid to identifying those on steroids, often an ingredient in the success of the east German ath-By contrast, the independent

weekend behind a Canadian and a collapse of the former Soviet Union Swiss, while the world-class fenc-such as Ukraine and Kazakhstan - such as Ukraine and Kazakhstan - have done surprisingly well, possibly because sport is a way of establishing international recogni-That is little solace to the Ger-

man team, where there are signs of recriminations surfscing. Franziska van Almsick, the pride of Germany, who won silver instead of gold last week, lashed out at the German swimming association, accnsing the leadership of being unqualified and doing "nothing for

But things could be worse. The British team began yesterday sandwiched below Kazakhstan and above North Korea on the medals table. And Germany did win the 1996 European football championcountries which emerged after the ship.

Rail disruption set to widen

End to post dispute looks likely today

A settlement of Britain's postal dispute looks likely today but the country faces the prospect of growing conflict on the railways next month.

In addition to continuing deadlock in the London Underground drivers' dispute - which is again expected to bring an almost total shutdown today - 24-hour stoppages may also be coming from train conductors in a number

of key operating companies.

The Royal Mail was confident last night that the postal workers' dispute over teamworking would be resolved when the executive committee of the Communication Workers Union is asked to accept a package negotiated by its leaders. This is designed to meet their anxieties about work reorganisation.

Last week the union suspended its rolling programme of disruption saying considerable progress" had

been made towards a deal. However, strike ballot reaults are expected on Wednesday from 6,000 train cooductors employed by seven of the country's private rail

The RMT transport union has called on them to support a planned series of 24-hour stoppages in pursuit of claims for improved productivity pay, and opposition to job restructuring and a planned cut in their 30-minute "physical

ductors have been required to take on increased responsibilities in recent years from station staff. At the same time, some private companies want to transfer safety and operational duties from conductors

The companies concerned are North London Railways, North West Regional Railway, South Wales and West, Thames Trains, Cross-Country Trains, Great Western and Inter-City east coast.

However, agreements have been reached on the issues by the union for conductors employed with Regional Railways North East, Network South Central and South East Trains. As a result, the releare not being balloted as had originally been planned.

Further ballot results are expected later next month from conductors employed by Central Trains and ScotRail. More negotiations between

the rail unions - RMT and Asief - are expected with Lon-don Transport at the offices of Acas, the conciliation service, before the next planned stop-page oo the Underground, which is due to take place a

The dispute centres on a difference of opinion over whether the drivers have achieved productivity improvements to ensure a cut in the basic working week from 38.5 hours to 37.5 hours from next month, something that was

Companies | Executive pay £265m | bonuses reach 15% **compliance** of salary

Accountancy Correspondent

in tax law

UK-listed companies spend an average of £126,000 a year on complying with tax laws - a total bill of about £265m (\$413.4m) - according to a survey published today by accountants KPMG.

ceot rise in the cost of compliance over the past five years against an increase in the retail prices index of 145 per cent. They will add to growing concern about the complexity of tax legislation and increas the pressure for fundamental reform of the tax framework.

Mr David Frost, president of the Chartered Institute of Tax-ation, said: "We are very keen for the tax system to be simplifled - bot it's not just the wording - it's the legislation itself. They start off with a simple concept but then people within government or the [Inland] Revenue are auxious there should be no avoidance opportunities so you start getting complications."

The government, with sup-port from the Inland Revenue (the UK tax authority), is rewriting some parts of tax law. Lobby groups, such as the tax law review committee, are pushing for more fundamental reform. Attempts to simplify tax law have been a significant

feature of recent Budgets.

Mr Ian Barlow, head of tax at
KPMG, said that while the tax authorities had become more efficient and belpful they had also become "more assertive and suspicious" of business and this had added to costs.

The 300 companies that replied to the survey said thet tax laws were too complex, uncertain, unco-ordinated, badly drafted, varied and "obsessed with preventing tax

The favoured solutions were to remove tax "blackspots" -where the law is so complex there is no certain interpreta-tion; to shorten and rewrite the law in plain English; to tax profits on an accounts basis; and to abolish some taxes. One example would be to combine National Insurance contributions with income tax.

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A less popular solution was "purposive legislation", in which laws would be written in general form setting out their intentions, rather than in great detail. There is some political interest in a general purposive anti-avoidance law.

KPMG's figures show that 31.5 per cent of companies pay more than £100,000 to comply with tax rules; a further 30.3 per cent pay more than £50,000. Only 14.7 per cent pay less

N Ireland's second city tense ahead of talks

Apprentice Boys prepare to march as negotiations begin in earnest

multi-party talks. But as the participants convene at Stormont, much of their attention will be on developments in Londonderry, the province's second city. In the wake of the ugly

scenes at Drumcree, where

march through e Catholic housing estata, local churchmen and politicians are trying to head off another confrontation - this time between nationalists and protestant Apprentice Boys who plan to march along the old city walls on August 10, to commemorate the successful defence against the forces of the Catholic King

Sir Patrick Mayhew, the Northern Ireland secretary in the UK government, met with the Apprentice Boys last week. On Friday, Mr John Hume, the local MP for the moderate nationalist SDLP, convened a meeting of their leaders and the nationalist Bogside resi-dents association, which is threatening to disrupt the

Local reports suggest that en from outside the area are moving into the Foun-

egotiations are set to begin in earnest today in Northern Ireland's tank housing on the city side of the river Foyle, in advance of tant housing on the city side of the river Foyle, in advance of the march. The nationalist residents association has made a public appeal for rooms for those activists travelling to Derry for the event.

The anger among Derry nationalists is widespread. "Even business people have police forced an Orange Order been politicised by what's happened. It used to be just a matter of refusing to stand for the national anthem at their local golf club," says Mr Eamon McCann, a broadcaster and

> Derry - where the Troubles started in 1969 - has long had a nationalist majority, and was once a byword for local government gerrymandering.

socialist.

efforts of moderates such as Mr Hume, it has provided an alltoo-rare example of power sharing, with the minority unionists bolding mayoral offices. "We could have all the power but we don't," says Mr In the wake of this latest

unrest, even those advances seem at risk. The SDLP has tabled a vote of no confidence in the unionist mayor, Mr Richard Dallas, who took part in an Orangemen's protest in



support of the Drumcree Oran-

gemen. Mr Paddy "Bogside" Doherty, leader of the Inner City Trust which is responsible for Derry's regeneration, says: "Nationalists are desperate. But there's also a quiet determination. The situation has been clarified. We're now confronting the British establish-

ment, not the unionists. Sir Patrick caused further consternation with his recent comments that he could not guarantee that the police would not be overwheln another occasion. Mr Doherty save this was "the best case the government could have made for the non-decommis-

Even moderate nationalists believe the arms issue was a delaying tactic by the government. "Look, when they knocked down protestant houses on the city side, they found lots of loyalist guns which everyone had forgotten there was a four-letter solution

local historian.

But a common concern among moderates is that the current anger could play into Sinn Fein's hands, eclipsing the SDLP. "It happened before. Hume, you remember, only emerged after challenging the old nationalist party to deliver, which they failed to do," says Mr Doherty. "John Major has to get Gerry Adams to Downing Street. That's the only thing that is coing to says us thing that is going to save us from another 20 years of vio-lence, and save John Hume." A school principal concurs. Nationalists won't be content until unionists are stood up to. If that means the spilling of

blood, then so be it." If unionists try to hijack today's talks by insisting on decommissioning, the view in Derry is that this will result in a hardening of opinion.

Mr Glen Barr, trade unionist

and former leader of the 1974 protestant Ulster Workers strike which brought down the power-sharing administration, believes the Troubles effec-tively ended in Derry more

than 10 years ago. But he says: The sad thing is that both communities that live in this city have a fervent love for the city. But if we can't solve our problems during a period of peace, then con-flict seems inevitable."

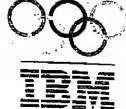
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By Robert Taylor, . -

The level of executive bonuses tied to company performance and improved productivity has risen to more than 16 per cent of basic pay over the past six months, according to a survey by Sedgwick Nobie Lowndes

The largest improvements for directors have been among those in divisions or subaldlaries of corporations with an annual turnover of more than £1bo (\$1.56bn). Their total median remuneration package (basic pay plus bonuses and other benefits but excluding share options) rose in the 12 months to June by 12.3 per cent to £239,500 for managing

board directors. The biggest increases in basic salaries were 10.7 per cent for executives in parent companies with an annual turnover of between 250m and £300m to £147,000 for chief executives and to £97,000 for board directors. Their remuneration packages rose by 8.1 per cent to median figures of £178,000 and

directors and £124,300 for

Median salary increases for all executives of 5.3 per cent in the past six months, compared with 5.0 per cent six months ago, were significant. The median gross base salary before bonuses is now £70,900.

£113,400.

Directors employed by corporations with an annual turnover of up to £50m received median pay rises of 8.1 per cent while those in companies with turnovers exceeding 21bn secured 6.3 per cent increases.

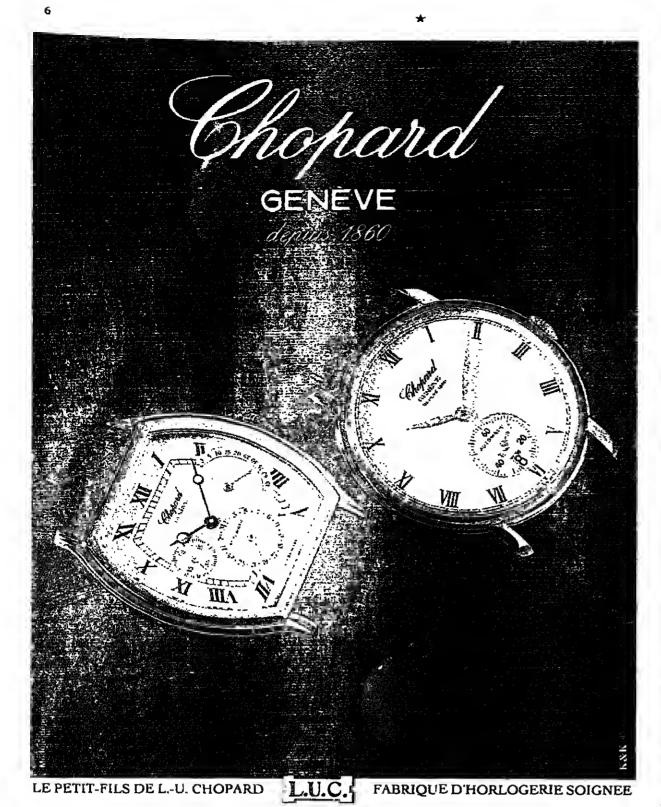
"Salary increases by job function seem to indicate that it is services and consumer that are leading the upturn, said Mr Andy Christie, remu-neration consulting director at Sedgwick Noble Lowndes yes-

The survey found that the largest increases were for executives in general management and corporate functions with a 6.4 per cent median improvement - up from 5.3 per cent six months ago. The lowest median salary rises were for executives in

manufacturing at 4.3 per cent.

a decline from the 4.5 per cent recorded six months ago. Personnel directors averaged 5.5 per cent during the past 12 months, followed by 5.4 per cent for those in sales and marketing, and 5.3 per cent in administrative and

iegal affairs. The survey sample consists of 4,627 managers employed in



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The allegations stem from an internal Commission memorandum written in October 1990 which summarised a meeting of the EU's standing veterinary committee. That is the same group of national experts which, it will be recalled, voted for the world-wide ban on British beef exports last March and which must approve its eventual

The six-year-old memorandum claims that the committee con-cluded that "it is necessary to minindse the BSE affair by using disin-formation". The memorandum also alleges that the Commission's representative at the meeting called for BSE to be removed from future agendas "in order not to provoke

Mad cows and the need to know unfavourable reactions by the mar-

ket". Finally, a call was said to have been made to Britain to stop publishing the results of its research into the risks of BSE

spreading to humans.
Since the document surfaced in the French newspaper Journal de Dimanche four weeks ego, its author has been exposed as Gérard Castille, an official in the Commis-sion's consumer affairs directorate, who has eince retired. Tracked down in France, Castills wouched for the authenticity of the memo-randum and said he presumed that EU veterinarians "were acting under instructions" when they agreed to hush up concern about BSE - a claim since rejected by Danish and Italian representatives

at the meeting.
The immediate Commission response was to dismiss the docu-ment as the missing of a low-level

DATELINE

Brussels: a European

Commission memo calling for a campaign of disinformation over the BSE affair must trouble Jacques Santer, writes

functionary with too much time on Santer told Euro-MPs in Strashours two weeks ago that the memo was a billet d'humeur - a personal opinion - which had not been circulated to anyone of any

Lionel Barber

importance in the Commission. As for the charges of a disinformation campaign, he noted that the Com-mission had held a seminar on BSE on November 11 1990 and published

It was an effective performance, but not enough to dissuade MPs from launching their own inquiry into the Commission's management

of the mad-cow crisis.

Meanwhile, the Co-ordination
Rurale, one of France's smaller rural farming associations hit by the collapse of the beef market, has filed a lawsuif against the Commission on the strength of the published memo.

The reaction in the Brussels

bureaucracy is frustration bordering on contempt. Officials privately accuse MPs of succumbing to a con-spiracy theory and pandering to consumer fears when the priority must be to restore confidence in tion, they complain that the Commission risks being turned into a scapegoat for BSE when the real villain is the British government, which persistently played down the scale of the epidemic and failed to put in place an effective policy of

Here we come to one of the more unexplored corners of the BSE crisis; the connection between the Castille memorandum and the Brit-ish government's handling of mad

eradication.

It does not require e leap of imag-ination to assume that Castille's call for calm on BSE reflected the consensus in Brussels at the time.

True, his choice of the word "disinformation" conjures up KGBstyle propaganda campaigns to plant articles in newspapers or to put stooges on television. But his real goal appears elsewhere in the memorandum: "There should be no more talk of BSE".

A veteran EU agricultural official agrees that the official policy was to take all steps possible to encourage eradication of the BSE epidemic on farms while avoiding any suggestion to the public that there could be a link between mad cow disease and Creutzfeldt-Jakob dis-ease (CJD) in humans. The official line on BSE and CJD was crystal clear: case not proven.

That line held for more than five

years, though unilateral bans imposed by German linder on British beef in the past 12 months showed it was wobbling. But the coup de grace came on March 21 this year when the UK government revealed the first official evidence of a likely link between BSE and CJD, elbeit conceding that there was still no definitive scientific

The rest, as they say, is history - more unilateral bans on British beef exports, followed by a single worldwide ban by the 14 EU member states. Only last week, the Commission called for tougher controls on the production of lamb following its own "experimental evidence" that BSE could be passed to

As for the much-vannted British policy on non-cooperation aimed at securing a lifting of the EU ban, It looks more and more futile. New scientific evidence threatens to delay the promised lifting of the ban on gelatine and tallow derived from UK beef. The Germans are refusing to accept imports of Brit-ish bull eemen, contrary to the understanding reached at last month's European summit in Flor-

In this atmosphere, prime minis ter John Major's expressed hope of securing removal of the EU ban by November looks increasingly unrealistic. As Jacques Santer has discovered in the BSE crisis, the consumer - not the producer - is king.

PEOPLE

Team player Leschly likes to prove a point

A competitive streak makes the head of SmithKline Beecham a tough opponent, writes Daniel Green

t does not pay to get into a debate with Jan Leschly, chief executive of drugs company SmithKline Beecham. If may be 30 years since he was the world'a No 10 tennis player, but he badly wants to win every point whatever the game. He likes smashing his opponents duff shots. "The best argument wins and

there is no mercy," says Leschly. "But some people don't understand that you play the game and afterwards you go for a beer and you're friends."

The uncompromising style of the world's only half-Danish, half-American drugs company chief executive seems to make business sense. Last week SmithKline revealed first half profits at the top of the range of analysts' forecasts. The company's share price, which had doubled since Leschly became chief execu-tive in April 1994, rose yet further.

His style also helps the company's 50,000 employees feel good, says Leachly, and he can prove it. "We conducted polls of 15,000 of our staff in 1991, 1998, 1994 and 1996. Eighty per cent of our people enjoy working here: If you don't keep score, you're just practising", he adds with only a touch of a smile. Leschly's secret weapon is his ability to switch from the aggressiveness of corporate America to soft-spoken Scandinavian. Born in Denmark, he trained as a pharma cist in Copenhagen and joined the Danish flagship pharmaceuticals company Novo Nordisk. In 1979, after seven years at Novo, he moved to US drugs company Squibb as vice-president of commercial development. Within a decade he was neir apparent for the top job. He never got the chance to take it n. In 1989 Squibb was the junior

Bristol-Myers, and Leschly left to makes it into the world Top 10,spend a year on a philosophy and religion course at Princeton Univer-

sity, New Jersey. There is bitterness in his recollection of life at Squibb. He says he resented the autocratic leadership style. He describes the power of the chief executive's position at Squibb as "US decision-making" and complains that "it was not a team".

How can a tennis player want to be a team player? "Before tennis, I played right-wing for the Danish champion handball team," he says, insisting that running SmithKline is really a team effort.

After his year out, Leschly took on what was, in retrospect, the ideal job. The other hig drugs industry merger of 1989 was between Beecham of the UK and SmithKline Beckman of the US. The new com-pany needed a leader without roots in either perent: someone equally

Denmark, London and Philadelphia, the base for SmithKline's US business. Smithkline's US business. The political dinner is de rigen in In practice he and his family live in Burops, too, both with those in the US, although he wants to play power and those likely to gain it, so this down because SmithKline remains legally a UK company. Two-thirds of SmithKline's shareholders are in the UK.

Leschly argues that the US is where the business is - it accounts for 40 per cent of global prescription drugs sales - so that is where the best managers must be. The fact that the heads of other European drugs companies, including Glavo Wellcome in the UK and Roche in Switzerland, live in Europe is dismissed as "their choice": Leschly likes the power and influence that come with running Smiththanks largely to a \$7hn series of mergers and disposals in 1994 and 1995. But the ever growing cost of healthcare means that dealing with

politicians is part of the job. He is proud of meeting Bill Clinton and relates how the American president saked him over dinner. "So what should we do with the US" healthcare system?" Leschly is con-vinced that Clinton will try to reintroduce some kind of healthcare reform if he is re-elected next November. Healthcare was the scene of one the worst defeats of the Clinton administration. A complicated set of measures aimed at making employers help provide health-care cover for the 20 per cent of Americans without it failed thanks to a campaign against it by a coalition of healthcare industry compa-nies and Republican politicians. "Clinton's become much smarter.

comfortable in Europe and the US.

He's not going to make the same mistakes," says Leschly. "Something will be done about the 40m Americans who are not covered by health insurance.

Leschly has a meeting with Tony Blair, the Labour leader, planned. "He should meet us. We fin pharmaceuticals] are probably the most successful business in the UK. We spend \$3m a day on research and Leschly says that profound differ-

ences remain between both European and US political and bealthcare systems. "In Europe I am a conservative, but in the US I am a Democrat." Nevertheless, he believes that some aspects of the US healthcare system will eventually be adopted by European countries. The US private sector is experi-



'If you don't keep score, you're just practising,' says Jan Leschly

chest medicine and X-ray, an asthma patient would be seen by asthma specialists.

Would this not help the drugs industry, an area where products are already sold according to type of disease? Yes, but drugs save money by allowing a patient to be treated at home. Drugs might cost hun-dreds of dollars a year but hospitals cost hundreds of dollars a day, says

Next week Leschly returns home, as he does each August, to his beach house north of Copenhagen. He will shortly celebrate his 56th birthday, and has almost taken on

menting with restructuring health-care around diseases rather than "People don't ask for my automedical disciplines. Instead of seeing doctors in the emergency room, in tennis, but I was Dane of the Year in 1994 and they like to put me

on hour-long interviews on the TV." He shrugs and grins when he talks of speaking Danish with his family at home in Philadelphia and of how his (tennis-mad) children are Danish, not US, citizens.

But he swiftly returns to business mode. There is work to be done, even on summer holiday. Last year'e beach reading was The Quest for Value, 780 pages on the valuation of companies. This year Leschly plans to browse through something even weightier, the latest work on genomics, the study of



Sunbeam feels the heat as Duniap makes his move

These are nervous times for tha 12,000 employees of Sunbeam, the US household appliance maker, writes Tony Jackson in New York. Their new boss as of e week ago, Albert Dunlap - "Chainsaw Al" to his friends - has chosen today to start overhauling the company. His opening diagnosis: "Sunbeam

has too many people, too many products, too many facilities and too many headquarters." Dunlap has started axing Sunbeam's top management and has brought in an old benchman from previous corporate restructurings, Russell Kersh, to handle finance and personnel.

The recipe is graesomely familiar. In his short stay as chairman of the tissue maker Scott Paper, Dunlap got rid of almost all the top manage ment and 20 per cent of the work-ers. He then sold the business to a bigger competitor, Kimberly-Clark, for around \$9bn (£5.7bn).

His re-emergence at Sunbeam is

behind schedule and diminished in scale. After finishing with Scott, he had promised to secure his next victim by the start of this year. And, with an initial market value of \$1bn, Sunbeam is a third of the size of Scott when Dunlap took it on. Perhaps this is not surprising. Within weeks of the Scott sell-off being completed, the phone giant AT&T announced 40,000 job cuts. There was revulsion among the American public and Newsweek ran a lead story entitled "Corporate Killers". Prominent among those

displayed on the cover was Dunlap.

boss they ever had in their life. If they're a bad employee, that's their problem, not mine." For all Dunlap's bombast, he has a consistent strategy for picking his targets: old-established US manufac-turers, with strong brand names,

He is unrepentant. "For the good employee," he told an analysts' con-ference call last week, "I'm the best

which have fallen on hard times Under the Sunbeam and Oster names Sunbeam makes a wide range of electrical household goods, Wall Street is in no doubt. Since the appointment was announced 10

days ago, Sunbeam's stock has risen from \$121/4 to almost \$20, As Dunlap told the analysts last week: "I just bought \$3m of stock, and I love every dollar like a brother."

Cortina in driving seat at Repsol

Alfonso Cortina, the millionaire new chief of Repsol, Spain's biggest industrial conglomerate, has a hard act to follow, writes Tom Burns in Madrid. His predecessor, Oscar Fan-jul, had over the last decade built a clutch of state-owned hydrocarbons companies into a formidable oil, gas and chemicals groop.

But Fanjul, who was appointed by a socialist government, fell victim to the corporate changeover that followed an electoral win by the centre-right Popular party. Profesaional considerations that bave nothing to do with jobs for the boys were behind the decision to recruit Cortina. His business ability enabled him to survive a 1989 divorce scandal involving his brother Alberto, their cousin, Alberto Alcocer, and two of Spain's richest women. Esther and Alicia Koplowitz. The sisters got rid of their husbands but, well eware of Alfonso's worth, asked him to run Portland Valderrivas, the big cement group which is one of the jewels in the Koplowitz crown.

Cortina is determined to pump up Repsol's downstream muscle in Latin America and to exploit cogeneration possibilities in Spain. He also wants to steer through the disposal of the 10 per cent of Repsol that remains in government hands. After that, he will probably stay on



partner in a merger with US rival Kline. The company only just

Stephanie Flanders · Economics Notebook

The work-wages puzzle persists

Countries may not have to live with higher inequality to create more jobs

Economists have drawn a grim lesson from labour market trends in the US and Europe since the mid-1970s: that these days you can ensure high levels of employment for the unskilled, or decent wages, but you cannot have both. The widespread acceptance of this fact of 1990s and 1990s life has had a deep effect on mainstream political debate on both sides of the Atlantic. Which might be thought a tri-umph for the power of intellectual enquiry over dishonest populism – were it not for the fact that the economists may turn out to have been wrong. Faced with a Hobson's choice,

politicians, as a rule, would rather do nothing. They know that they can no longer promise both high employment and high wages. Yet they can hardly be seen to be embracing one at the expense of

The result is that even progressive types, for all their outrage at the worst deterioration in conditions at the lower end of the European and US labour markets since the Depression, are painfully silent about their solution

The story behind the Hobson's choice is a familiar one. For various reasons - be it technological change, increesed trade from developing countries, or immigration the relative demand for less skilled labour has been declining in Europe and North America for the best part of 20 years. By allowing the relative wages of the maskilled to fall, the "flexible" US labour market was able to keep the nation employed, but at the cost of rising inequality and working poverty.

Freed with the same changes in reative labour demand, rigid old



the employment front. As the report notes, one quarter of all full-time workers in the US are in low-paid jobs, compared to less than 6 per cent in Finland and Sweden. That does not seem to reflect any difference in the skill levels across countries: fewer than 10 per cent of workers in France with an upper secondary education. have low-paid jobs; compared to nearly one third of similarly eduworkers in the US. What it does reflect, according to the authors, is the institutional context in each country: low levels of unionisation and a declining real minimum wage in the US, and higher levels of both in most Euro-

So far, this fits the standard view. But if a decline in relative wages for the unskilled were actually the cause of higher job creation in more flexible countries, we would expect this to be reflected in relative levels of unskilled employment. The organisation can find no



ment - or unemployment - ef mskilled workers in a given country and the amount of low paid

It is more or less impossible to draw airtight conclusions about causality in this area, not least because the sample of countries is so small (Does one, for example, truly think that Luxembourg's labour market experiences should be awarded the same weight as those of the US?) Nevertheless, the ORCD's tentative rejection of the employment wage trade off is echoed by other recent research, including a paper by three economists from the US, Canada and

The study compares changes in wages and employment rates for different age and education groups in all three countries since the start of the 1980s. Like the OECD, the authors believe that similar forces were working to reduce the

the period.
That reduction in demand showed up in large declines in relative unskilled wages in the US, some decline in Canada, and no fall at all in France. Yet, seconding to the authors' research, this did not have much effect on changes in

unskilled employment rates.
"In the US, the relative employment of lower-wage groups declined over the 1980s . . . in Canada and France, where one might have expected relative wage rigidity to lead to even greater employment losses for low-wage workers, the patterns of relative employment growth over the period are virtually identical to the US." The implication is that declining wages did not directly shield unskilled US workers from declining labour demand during tha

What all this implies is that one most search for another explanation for higher employment growth in the US than simply "pricing workers into jobs". Many Euro-peans have been tempted to argue that the US success can all be put down to a higher average level of aggregate demand. Yet that cannot be the complete answer, either.

As the chart shows, real GDP has

grown at roughly the same rate -2.5 per cent per year - in both the US and Canada since 1980. Real growth in France was only slightly slower, averaging 2.3 per cent during the period. Wa are still left needing to explain why in the US this demand translated into high employment growth, and consequently low rates of increase in output per bead, while in continental Europe it delivered reasonably high productivity gains and soaring unemploymen

For its part, the OECD, somewhat elliptically, suggests that "other factors", such as overall labour market conditions and institutional differences in training. may provide an answer to the jobs growth puzzle - at least in the case of younger workers. Yet the lack of e clear explanation ought to worry all those policymakers trying to think up "realistic" ways of improving labour market outcomes for the least well off. If history is any guide, it is likely to be some time before economists possess a clearer understanding of why the US has been able to produce more jobs. Assuming, of course, that they ever do.

*Changes in the relative structure of wages and employment: A comparison of the US, Canada and France: David Card, Francis Kramarz, Thomas Lemieux, NBER Working Paper 5487, March 1996.

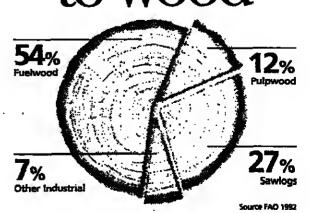


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ENVIRONMENTAL ACTION GROUP



hilip Condit, the newly appointed chief executive of Boeing, the US aircraft maker, recites a poem about what to do if you

Stand still. The trees in front of you And the bushes beside you Are not lost. Where you are is called here,

The poem is based on a story told hy Indians in the Seattle area, where Boeing has its headquarters. It was recited at a Boeing gathering by David Whyte, a poet and storyteller the company engaged to talk to its senior managers.

What does the poem mean? "That you've got to pay attention to the market," says Condit. "That you've got to look at where you are."

Condit, who took over as chief executive in April, finds Boeing where it is accustomed to being: number one in the world aircraft manufacturing industry. He knows, bowever, that the group has no automatic right to stay there.

Boeing's manufacturing processes have only started to catch up with those of other nerospace companies and still fall short of the standards set by, for example, the car indus-try. Only in the last few years has Boeing begun to ask its customers, the airlines, what sort of aircraft they want. And Airbus Industrie. the European consortium which is Boeing's nearest competitor, has decided to turn itself into a limited company, which should streamline its decision-making and lower its manufacturing costs.

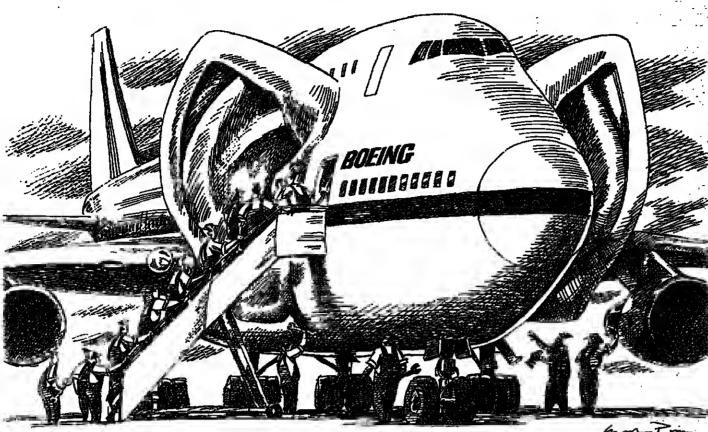
Condit, who has never worked for any other company, is only the seventh chief executive to head Boeing since its formation in 1915. To some, it may appear that he is taking over at a fortunate time. Although Condit became Boeing president in 1992, it was his predecessor as chief exec-utive, Frank Shrontz, who had prime responsibility for steering the company through the severe reces-

sion of the early 1990s. It was Shrontz who had to face the bumiliation of seeing Airbus take more orders than Boeing in 1994 - the first time since the advent of the jet age that the US company had been dislodged from the top spot. Shrontz was still in charge last year when the company sbed 12,000 jobs and suffered a

Shrontz is still chairman but expects to step down in a few months. Condit inherits a far more confident company. Boeing won its top slot back last year, taking 346 orders to Airbus's 106, although the European manufacturer has had a strong start to 1996. Airline profits are improving and Boeing's alreraft production is increasing. The company plans to take on 8,000 workers this year, including some of those it let go in 1995.

Condit's most important task is to continue shaking Boeing out of its complacency. Unlike US car manufacturers, Boeing has never had a Japanese competitor. Its principal US rival, McDonnell Douglas, is struggling to stay in the civil air-

Workers' ideas taken on board



over the past few years, It began building more sophisticated aircraft than Boeing, incorporating "fly by wire", which allows wing and tail surfaces to be controlled electrouically rather than mechanically.

Manufacturers such as British Aerospace, which makes wings for Airhus, developed factories more automated and better organised than Boeing's facilities.

BAe had faced the prospect of almost going out of business, an experience that galvanised its organisation, resulting in radical changes and the loss of thousands

The threat to Boeing was less urgent. Shrootz had to persuade his managers and workforce to change even though few of them believed Airhus was likely to win more orders than Boeing on a consistent basis. In the early 1990s, Shrontz began sending managers on visits to Japanese companies in other industries, such as Ricoh, the office equipment maker, Hitachi, the electronics group, and Toyota, the car

manufacturer. The visits to Toyota in particular convinced Boeing managers that they had a lot of catching up to do. As one Boeing manager says: "We saw that there was a different way Airbus, however, has managed to told employees they would have to

At Everett, 30 miles north of Seat-tle, managers show off early results of the campaign to improve Boeing'a compatitiveness. Boeing's Everett factory is a place invoking endless superlatives.

The main aircraft assembly hall is the biggest building in the world. It covers nearly 100 acres and its interior is as high as an II-storey

The Boeing 747, the biggest aircraft ever made, with more than 400 seats, is built at Everett. So is the 767 and Boeing's most recent aircraft, the 777. The factories take in components from 1,700 suppliers.

nt because the 747 was first developed as long ago as the mid-1960s, its design is still on two-dimensional line drawings rather than in a digitised form.

The result is that components for the 747 can vary slightly in size and shape, causing wastage and adding to costs. This is a significant problem - the Boeing 747 has am parts. Another difficulty in building the 747 is that while Boeing traditionally did not consult much with carriers when it decided to build an aircraft, it allowed the airlines to specify in detail what they wanted incide. The position of toilets and win a third of the aircraft market cut production cycle times in half. Airlines specify where they want carry over 500 people but which will boles to 2,500 - a process which will take small incremental steps."

them to be and Bosing complies. This, too, adds to manufacturing costs: there are 120 possible locations for a toilet on a 747 and 110 for a galley.

The building of Boeing's most

recent aircraft, the twin-engined 777, which carries up to 400 passengers, provided the group with an opportunity to do things differently. Instead of simply presenting airlines with a new aircraft, Boeing asked eight carriers - including United Airlines of the US, British Airways and Japan Airlines - to help design the 777.

The 777 was designed completely on computer, providing greater pre-cision in component manufacture and enabling Boeing to assemble "snap together" aircraft. The 777 was also designed so that the toilets and galleys could slide into whatever position the airlines wanted, instead of having to be installed into fixed positions, as in the 747.

Boeing has now taken the lessons of building the 777 and begun to apply them retrospectively to the 747. The group has begun to digitise the old 747 design drawings. It is a tengthy process, which will take until 1998 to complete but it means that Boeing will have digital designs when it begins building the

be based on the original 747 designs. At the same time, Boeing has been running a series of "acceler-

ated improvement workshops" aimed at getting employees in its factories to suggest ways of speed-ing up production. Condit admits that persuading shop floor employees to contributa to these programmes was not easy in an organisation which had seen redundancies and a prolonged strike. "I think that's the job of leader-

ship," he says. "In any company you can find some areas where amazing things are happening and other areas where they aren't. And invariably that traces back to the willingness of leaders to listen to people. I find most people have a lot of pride in what they do. If they're cynical it's because they tried a bunch of times to propose solutions and nobody would ever listen."

Some of the employees' ideas have resulted in substantial changes. When the company asked workers assembling the 777 how to speed up production they suggested a reduction in the number of holes in the fuselage. The 777 fuselage had 6,000 holes, into which the fasteners that keep the various components together are inserted. By increasing the diameter of the fas-teners, Boeing engineers calculated

be completed by March next year. Some of the ideas the Boeing workers came up with were more straightforward. Instead of spending valuable time trying to line up platforms, scaffolding and machine tools against aircraft fuselages, the workers asked whether it wouldn't be simpler to paint white lines on the floor showing where everything went. This has now been done.

Employees who put up the rail inside the sircraft to which overhead lockers are attached had another suggestion. To measure the distance between the fasteners that fixed the rail to the aircraft, Boeing had devised a complicated machine. Almost too heavy to lift with one hand, it had several moving parts which marked the spots on the rail where the fasteners went. Tha machine had to be maintained and serviced. At the employees' suggesserviced. At the employees sugges-tion, Boeing replaced the machine with a simple plastic template with holes drilled in it, which indicated the position of the fasteners. Why hadn't Boeing managers

thought of this themselves? Aren't some of these solutions ridiculously easy? "Oh absolutely!" says Condit. In fact, almost always when you look back at what you thought was a touch problem the solution looks embarrassingly easy. The problem is we all come equipped with maps in our heads. Wa know how things work and until somebody says it could work in a different way, and we're willing to listen, it's very hard

to see it."

Asking his managers to listen to postry is one way that Condit uses to try to get them to view their work in a new light. He says it is an initiative which has been widely misunderstood. "The image is the coffee house and there's this guy up there reading poetry to a bunch of bemused managers. David Whyte is fundamentally a story-teller. David can tell a story about an experience and use it to illustrate a way of thinking about things which allows you to say. 'Gee, I hadn't thought

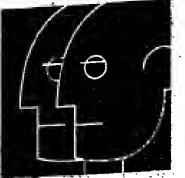
about it that way."

Condit also plans to encourage new ideas by recruiting a wider variety of employees. Boeing is overwhelmingly white and male. Work has started on huilding a child care centre at Everett to make it easier for mothers to work there. He wants to see Boeing become ethnically more diverse too, although he dislikes the idea of setting targets or quotas.

"I'm a believer in diversity in the broadest possible way - people with different experiences, different backgrounds, different training because I think it makes the product better," he says.

The ideas generated by staff have had some effect. Edward Renouard, Everett's general manager, says cycle times have been reduced by 20 to 30 per cent. He says Boeing willreach its target of a 50 per cent reduction, not by doing anything dramatic, but by continuing to ask staff for suggestions.

Renouard says: "They've got a lot of ideas which I think maybe we've ignored in the past. Boeing is like a lot of US and UK companies, always looking for major breakthroughs.
What the Japanese do so well and galleys varies widely on the 747. 747s or "super jumbos" which will they could reduce the number of what we're encouraging now, is to



Pizza Express

Osmond, both 34, became partners in a student nightchub while studying medicine at Oxford University 16 years ago. Many business pentures later, they now control Pizza Express plc. Their unnual turnover is £60m.

Luke: "Hugh is very ambitious,

very intelligent and very persistent. He likes to see things

through in their conclusion and

is much better at finishing things off. I can be a bit of a dilettante. He enjoys difficult miscrance are anys an ingular of megotiations and legal rigmarcle which I find tedious. We've both got strong personalities but over the years I've learned to respect the strills and intelligence. if he's being particularly forceful and determined I'll linow he's talking from a position of strangth. He's a than I ma. He probably gets frustrated with my chaos. I den't think either of us are great man managers although I mikin have the edge. He prefers

iowork from home wheres i fut from home to the effice herains I get bared working on The good thing about Hugh is that he's interested in business. Nating of us has fallen into the Neigher be syndrome which happens to a lot of this mess. People after a low years. He's before them I am at the life is too carried away with work. He taker his sport seriously and enjoys dangerous privatis-which is not something I share I'm much more irritable than Hogh whereas he never gets depressed. One of the great things about working with a riend is that the friendship bit kolds you together when business frustrations three impair the parinership." Hogh: "Luke is more artistic and creative than one might :

expect from someone in
business. He's interested is
creating new things, seeking out
new deals, new businesses. He'll
trek for miles looking at
potential restaurant sites. He
looked at dozens in the City
before finding the latest Pizza.
Express warnies, in Allian Cate Express premises in Alban Gate, Ldon't like crawling around places; going to pointless meetings on the off-chance of a

I prefer to stay in one place and not get distracted. Lake: enjoys reading up and spending encys reading up and spending time in libraries. He'll come up with 500 ideas, then we'll sit down together and fand the one with the most potential. He's good at ideas and presentation, whereas I'm good at negotiating with the other side. with the other side.

Lule is the first stage and the

last, I to the stuff in the middle.
I like manyeling problems. To
me, a really good business deal
is like playing six dimensional
chess, whereas Luke loves the excitagient of new business, the telling and selfing. He can turn on the charm and give good one on one and don't like giving

Neither of us likes wearing suits and, like me, I doubt he's got a designer label in his wardrobe. Although we don't look alike, everybody we meet confuses our names. It's only a matter of time, in any deal, when someone gets our name e wrong way around. It must be the U sound. In fact, on two occasions he's called me Luke but I've never called him Hugh."

> -Fiona Lafferty Tokenhold Like in his

> > · 建铁铁矿 动

Dealing with the Popo problem

sations - the passed over and pissed off (Popos). They are frequently in late middle age, of limited education and qualifications, and have an "impressive" service record. They have been led to believe that they will be steadily promoted. However, this has not occurred for two rea sons. Either someone has decided that they are Peter Principled (promoted to their level of incompetence) or the organisation has been downsized or rightsized and there is

The Popo presents a great problem for the manager. Three strategies sometimes work to deal with by setting higher targets which may encourage them to leave. The second may be to counsel them out by offering early retirement or perhaps beln in starting their own husiness The third is to surround them with young, bright enthusiastic people who show up both their sourness and incompetence.

ber the COL

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The Popo is clearly a problem. of them and do not deal with them soon become chronically constipated. A laxative management style is clearly a requisite If some organisations are to be healthy.

Most buman resource departments are encouraged, or indeed forced, to measure the efficacy of training. Perhaps the most common, simple, but least valid, method is through post-course "happy sbeets". These are evaluation forms of varying length which request that trainees rate the course, the trainer, the

One of the consequences of this assessment method has been the emergence of the entertrainer. Somewbere between a comedian and a story-teller, the entertrainers become the soap-box orators of the education world. With quick quips, fancy slides, electronic gizmos, funny videos, and a host of tall tales

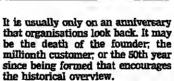




the entertrainers realise one way of It is usually only on an anniversary getting maximum marks on the happy aheets.

The fact that few skills are learnt

doesn't worry the entertrainer. He or she knows participants enjoy the cabaret style "training", rate them highly and hence are likely to be re-employed or retained if the happy sbeets are the only measurement criteria. This doesn't mean training can't be fun. Or thet funny atories are a no-no. But it does mean that happy sheets will not suffice as a sole criterion of training



Usually these anniversaries are simply used as a public relations opportunity. The glance back is curory and more associated with nostalgia than analysis.

However, some organisations mploy business historians to write their story. Unfortunately this is rarely done at the departmental level and so the history of numerous campaigns thrusts and initiatives is forgotten. It is particularly

positions means there is no record Organisations are surprisingly

striking if high turnover in senior

amnesic. Sensibly-kept records of the introduction of systems, initia-tives and processes provide invalu-able evidence, not only for the historian but the manager at the

The aphorism is equally true in husiness: those who know no history are condemned to repeat it.

Few business meetings start on time. The corporate culture dictates not only how late a start is acceptable but bow the organisation deals

Most institutions in this country simply wait 10-15 minutes for the latecomers whatever their excuse. In effect this punishes the on-time performers and rewards the laggards. More up-beat, macho organisations, or simply those for whom

product or service, devise ways to deal with and eradicate this prob-Some organisations lock the door

at the assigned start-time, as they comers (say 50p per minute) and give the resultant "pot" to on-time performers to spend perhaps on a drink at the end of the day, a light lunch or a celebratory cake. Another technique is to bumiliate

women draw attention to the latecomer skulking in hopefully unobtrusively. One group tries an odder, one-off, strategy. They agree with the on-timers that when some specific person says a particular line (for example, "the executive com-mittee decided" or "according to the strategic plan") everybody laughs out loud. The puzzled late-comers are usually somewhat bewildered and know they have missed something. You can't use this strategy too often hut it can have consider-

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- 1-51

Conner Middelmann visits a training ground in Reading which hopes to produce tomorrow's financial wizards

Practising for a secure future

news headline flashes across the computer screen: "Bundesbank cuts Lombard, disesbank cuts Lombard, dis-count rates by % point."

The neon-lit room, filled with rows

of Reuters, Telerate and Bloomberg computer terminals, erupts into action. Foreign exchange rates start. flashing on the screens as currencies begin to fluctuate, dealing phones ring from all sides and traders frantically buy or sell currencies, trying to capitalise on this latest piece of market-moving news.

This is not the dealing room of a City investment bank, however; the traders are not real and the transactions are fictitions. It is the simulated dealing room of Reading University's Isma Centre, named after its sponsor, the International Securities Market Association in Zurich. The dealers are students working towards an MSc in international securities, investment and banking.

This nine-month course launched two years ago, differs from most postgraduate degrees in finance and banking in that it stresses the importance of practical experience to back up the theory. Such methods are already

institutions - notably at the Massa-chusetts Institute of Technology, which recently installed a \$2m (£1.9m) simulated trading floor for its master of business administration (MRA) students - but the Isma Centre claims to be alone in Europe to promote this hands-on approach.

"We aim to integrate a set of practical skills into each theoretical module we teach," says Brian Scott-Quinn, director of the centre. "Some people feel that practical work compromises the theoretical teaching process, but we believe that without experiential learning you never actually know

what it's really like out there."
"Out there" is the rapidly changing world of investment hanking, where fierce competition and the increasing complexity of products mean that many institutions are keen to recruit well-trained staff who can hit the ground running, rather than general-

ists who need months of training. "Our graduates are more immediately profitable - they can start to generate income more quickly and safely than most graduate trainees," Scott-Quinn says.

Many students see the course as a stepping stone into London's financial services industry - for some a long-cherished dream.

Tve wanted to work in the City since I was 17," says 23-year-old Nathan Henshall, who has already secured a position at Bankers Trust, the US investment bank. "With a degree in accounting and economics from the University of Bangor, that wouldn't have been easy. But because this course is sponsored by Isma, I feel it's a passport to the City."

sma has the dual function of being a trade association and market regulator for the international securities markets, with 850 member institutions. -

Nearly half the students come to the centre straight after their undergraduate studies, although 20 per cent have had at least seven years' work experience. The course has an international flavour, with 39 per cent of students coming from continental Europe, 26 per cent from the UK, 13 per cent from North America and 12 per cent from Asia and Australia. To Rosemarie Flynn, 21, the main



attraction of the course was its practical approach. With a bachelor of com-merce degree from the University of standing of investments and markets, "but didn't know what really went on

inside the industry".

The course also helped her identify what areas of the business she is most interested in. "I had thought about trading, but after doing the course I realised it's not for me. I'd prefer to do something more analytical and long-term, like corporate finance. The Isma centre plans to launch a three-year BSc degree in international 1997, to coincide with the planned completion of a £2.5m building on Reading University's campus. Starting in 1997, it will also offer residential summer programmes and seminars for people who already work in the securities industry. A part-time London-based MBA course is also in

NEWS FROM

International rescue for Russian fair

The American Business Centre in Nizhny Novgorod, which is operated by Thunderbird, the American graduate school of international management, has been selected to organise the US business component of the 1996 annual All Russia exhibition. The trade fair in Nizhny Novgorod (formerly Gorky) is Russia's oldest and

The Business Centre is signing on American companies who want to participate in the exhibition. American Business Centre: Russia, 8312 37 22 13.

Americans first to get satellite education

International satellite organisation Intelsat is sponsoring distance learning initiatives, beginning with a summit on distance education to be held in October at its headquarter: io Washingtoo. Intelsat will then work with other sponsors to set up a distance learning network for the Americas, offering free satellite time for appropriate

The pilot network will be a

model for similar networks elsewhere in the world.

How to manage to

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Initiative. The Good Quality Manager's Guide deals with how to develop a quality culture, how to support a organisation's quality vision and how to assure quality. The book costs £12.99. MCL: UK. (0)171 872 9000

MBA shuffle for Manchester faculty

Manchester Rusiness School has appointed a new director for its post-graduate centre, which offers a wide range of postgraduate degrees including the master of business administration, He is Peter Barrar, who joined MBS in 1982. Francis Buttle takes over as director of the full-time MBA programme and Peter Naudé becomes programme director of the part-time MBA. MBS: UK. (0)161 275 6333.

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BUSINESS TRAVEL

Travel News · Roger Bray

Paris goes electric Business travellers to Paris may now do their bit to fight global warming by renting electric cars. Eurodollar is

offering the Citroen AX at five locations, and says the cost -FFr456 (257) a day, including unlimited mileage, taxes, collision damage waiver, theft protection cover and personal accident insurance – is less than for hiring an equivalent petrol-driven car.

The company says it is "conscious of the ever-present need to protect the environment, especially in large cities where pollution is a sensitive issue". A bonus is

that Paris car parks, 25 of which have power points where batteries can be re-charged, are free to electric

Seattle's third runway Seattle's politicians have voted to build a third runway at the city's main airport, but local residents will fight to stop them. Regular travellers grumble that when for blankets Puget Sound, jets stack up, then peel away to land at Portland, Oregon, or across the Canadian border in Vancouver. Backers of the \$455m (£291m) project claim it

will enable Seattle's airport to cope with expanding traffic well into the next century. Opponents argue that it is just a stop-gap, and say a completely new airport will eventually be needed.

Back seat check-in Virgin Atlantic is planning to issue its Upper Class passengers with boarding passes and relieve them of their luggage in the comfort of a limousine. Customers using the free, chauffeur-driven service to London's Heathrow airport will be driven to a desk in the short-term car park at Heathrow's Terminal Three. A staff member will sit in the limo with them, check them in

and ask necessary security questions. Then passengers will be dropped at the entrance to the departure area. where they can walk straight to the airline's lounge.

Amsterdam offers Cut-price flights via Amsterdam's Schiphol airport to central America and the Caribbean are on offer from KLM through the London-based travel firm Trailfinders. A round-trip fare of £450 is available to Panama City and San Jose, Costa Rica.

Prices to the islands of

Curacao, St Maarten and

little-known Bonaire - whose

exotically named Flamingo airport salutes the estimated

10,000 flamingos that live there – start at £369. Fares quoted do not include taxes. They are valid for departures until September 30.

Chinese politics

Aviation and politics make an intriguing mix. In particular, mainland China and Taiwan are involved in a brittle stand-off. Airlines are not . allowed to fly directly between the two countries. Meantime, Hong Kong is due to be handed back to China next year. This week, Taiwan's EVA Air starts flying to Hong Kong from the Taiwanese capital, Taipei. The service is part of an agreement between Hong Kong and Taiwan which

is designed to last long after the hand over. The Taipei-Hong Kong route is one of the world's busiest. It aiready sustains over 200 flights a week, and EVA will add another 16.

Düsseldorf tenors Stuck in Cologne over the Hyatt hotel will get you tickets for the Three Tenors open air concert in Düsselderf that Saturday evening, drive you there and provide snacks and champagne to liven the wait. A two night stay (Friday and Saturday) costs DM605 (£292) including extras such as a gala dinner. Tickets are priced separately.

Likely weather in the leading business centres Prosident \$25 \$25 \$25 \$25 Mark On As Os 8 2 6 2 B 25 <u>_</u>25 0345 320100 BEIRUT DAMASCUS. Amman

Amon Cohen says the industry estimates there are now more than 5,000 travel-related Web sites

barassed husiness traveller recently found salvation at Café Internet in London's Victoria. The visitor from the US was staying at the nearby Rubens Hotel and was due to give a presentation the

following day at American Express for a 21m contract. His presentation was con-tained on his laptop computer. The problem was be had lost his laptop at Heathrow airport. Fortunately, Cafe Internet, one of the growing number of cybercafes that offer a computer terminal and a chance to browse the World Wide Web. in addition to refreshments.

"From one of our computers, we remotely logged into his office computer, found the presentation and downloaded it to the café, where we printed it on to acetate," says Café Internet owner Gavin Sheppard.

For most business travellers. bowever, the chief interest in the Internet is the continuing proliferation of travel-related Weh sites, of which there are now 5,000, according to industry estimates. Many can he found in a UK-based print directory called /trarmag/. For details, see the magazine's own Web site at http://www.demen.co.uk/travmag/.

In addition to a rapid increase in the number of these sites, the past year has seen many converted from little more than information centres into online booking facilitles. A visit to one of the newest reservation services. launched earlier this month by Inter-Continental Hotels &

Rescue in cyberspace

ple of recent progress. Pages are cleaner and faster to access. There are more graphics than in earlier mod-els, and they are far sharper. The Inter-Continental site (http://www.interconti.com/) provides several photographs of each botel, plus a map of its location and a layout.

Inter-Continental's Web site also provides easy connections to the reservations sites of its airline and car hire partners, and to useful related information pages on weather forecasts and exchange rates. In a sense. Inter-Continental is doing little more than offering an alternative outlet for the same product it distributes through travel agents and telephone reservation centres.

Yet one of the fascinations of the past year has been the development of new products that exploit the potential of cyberspace. Example: tbe cyberspace auctions conducted in the US by American Airlines and Cathay Pacific, where the carriers put seats on the mar-ket and offer travellers a chance to tap in bids.

Similarly, American Airlines is offering Net SAAver fares essentially, discounted lastminute fares - for as little as 10 per cent of the published tariff. Last-minute fares have long been familiar in the chartered aircraft market, but it

Resorts, provided a good exam- cost-effective method of marketing and distributing its distressed stock of scheduled

seats to the puolic. The idea is catching on. John F Davis III. Dallas-based president of TravelWeb, says that he, too, is poised to introduce auctions and last-minute rates for the 8.000 botels which sell rooms through his service. TravelWeb (http://www.travelweb.com) is hecoming a formidable force on the Internet, with 71.5 per cent of 3,000 respondents to a recent online survey by |traumog| saying it was the travel gateway they used most.

TravelWeb, whose parent recently sold preferred stock worth \$7.5m (£4.8m) to Dun & Bradstreet-dominated investment company Trident Capital. is a consortium of 15 of the world's largest botel companies. It offers what it claims is "seamless coonectivity" into the reservations systems of participating hotels, allowing browsers to survey all the rates a botel has to offer.

Davis says that TravelWeb is accepting more than 100 bookings a day, bringing in more tban \$750,000 in revenue a month. That could soon rise dramatically. Hertz joined the service last month and 280 airlines are due to be added in the next few weeks.

Despite this burst of activity. one business travel constituwas only the internet which ency remains ill-served by the in a superior class. Such ruses provided American with a internet. This is the corporate are regularly knocked back



travel buyer and the company on whose behalf travel services are purchased. Most large companies negotiate special rates with leading travel suppliers, but there is no mechanism to

distribute them via the Web. Worse, there is a danger that employees can use the Net to wriggle past company policy and procedure, and book with an unsanctioned airline to rack up mileage points or even fly in a superior class. Such ruses when reservations are made by travel agents, part of whose brief is to police travel bookings on behalf of corporate cli-

However, solutions to these problems are imminent. Marriott, which takes 500 bookings a month over the Internet, plans to introduce client identification codes on its site, A customer from, say, Hewlett-Packard will he able to type in a special code for HP employees, and the computer

will react by displaying the low rate negotiated by HP. But the system is still open to abuse if people who are not HP employees discover the code and use it to obtain lower rates than would otherwise be available to them. "They would be silly to do that because on arrival we may ask for their Hewlett-Packard identification," says Peter Dennis, Mar-riott's marketing antomation manager for Europe and the Middle East. "Nevertheless, there is a potential security

Clearly, what is needed, says Dennis, is a properly closed network in which access is restricted to company employees. The formation of such intranets is becoming possible as corporations move their computing platforms from the old 8-bit technology to Web servers, thus giving them a private, customised version of the

As far as travel is concerned, this gives companies security as well as the ability to tailor travel hooking software to their own organisational struc-tures, and ensures that book-ings are made only with preferred suppliers. It would also enable companies to collect precise data on who has booked to travel where, and with which airlines and hotel companies - the very information they require when negoti-ating discounts with suppliers. At present, TravelWeb is beta-testing just such a private site. As is happening in realms

far removed from travel, the

Internet is gradually being

taken under corporate control. | pushed rates up by 11 per cent

Sleepless night from hotel bill

Scheherazade Daneshkhu looks at the high cost in Europe of staying away from home

he most stressful part to £90.49. Industry analysts of a stay at a hotel is usually at the end. The receptionist hands over your hill, you gasp - and hand over a credit card. Hotel prices in Europe have risen steadily in recent years, and the trend is likely to con-tinue, according to consultants Pannell Kerr Forster Associ-

A recent survey of 317 upmarket hotels in the largest European cities found that prices rose last year in local currency terms compared with the previous year, although the strength of Germany's currency (which is used to provide Europe-wide comparisons) produced a small decline in the Euro-average for achieved room rates, to DM203.09 (£85). Paris has the unenviable reputation of having the most expensive npmarket room rates in Europe, with an average achieved rate of DM380.31. It is followed by Geneva, Moscow and London.

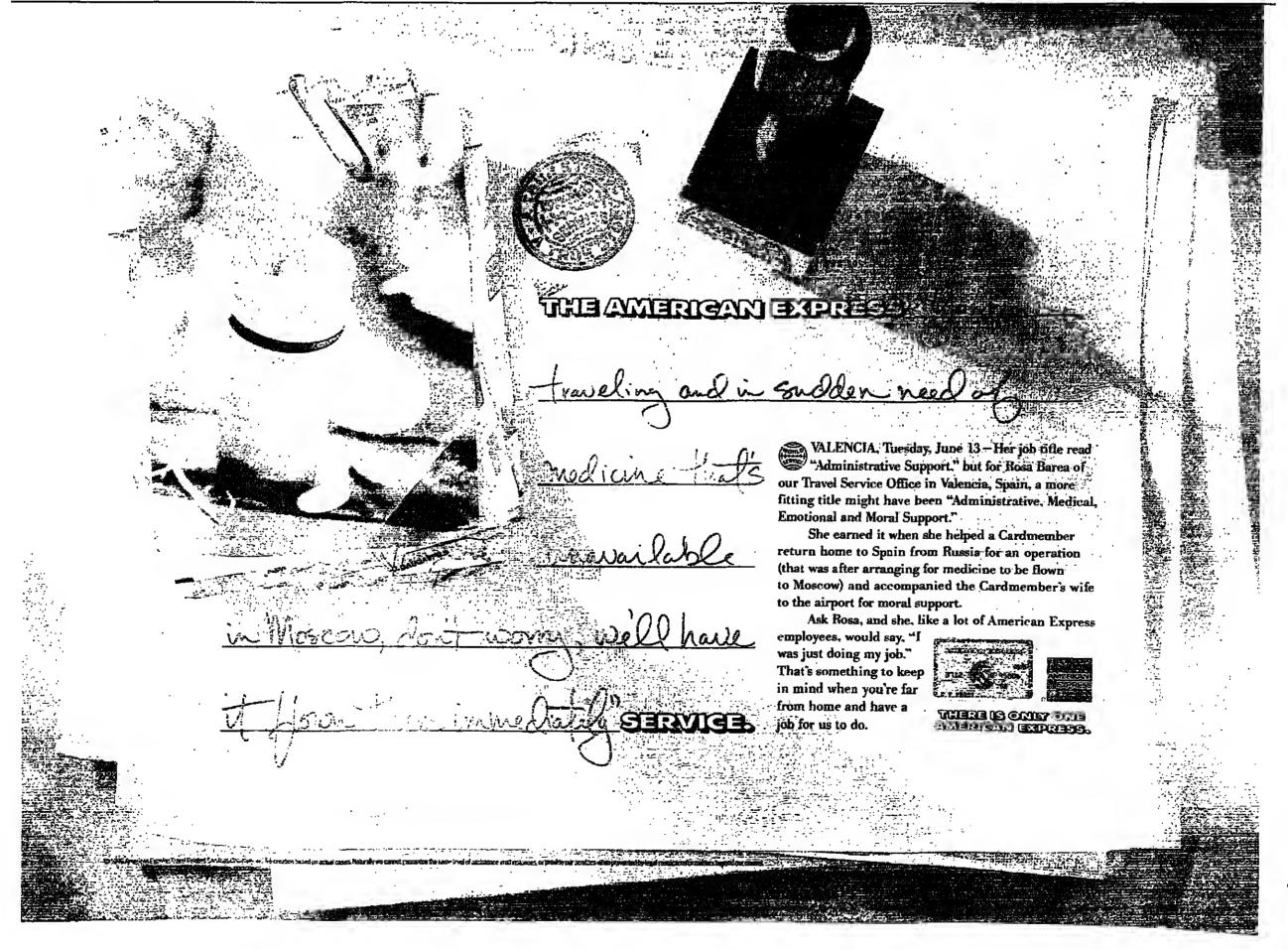
Prices of UK hotel rooms, particularly those in London. have risen sharply. Last year the average room rate in the UK was £60.85 - a rise of 7.8 per cent, according to Pannell Kerr Forster - while constraints on supply in London believe higher rises are on

Hoteliers can push through higher prices without necessarlly raising their publicly quoted room rates. Instead, they restrict discounts or reduce the frequency with

which they award discounts. Pannell Kerr Forster's study shows that despite the rise in room prices in Europe last year, fewer rooms were sold at full rates. The number of fullrate rooms fell to 11.5 per cent of the total compared with just under 13 per cent the previous

By contrast, rooms sold at s corporately discounted price increased fractionally to 32.6 per cent from 31.8 per cent. Aerobics before hrainstorming. Marriott is offering confering. ence delegates the option of clearing their heads with s little instructor-led exercise before they get down to business at 27 of its UK botels.

writes Roger Bray.
"Themed refreshment breaks" also include the offer of root beer and pecan pie served by staff in Wild West outfits - or mugs of tea and bacon sandwiches dispensed by employees in hard hats and donkey jackets. They are part of a new meetings package.



Your newspaper is ready now

The electronic Daily Me is no longer a pipe-dream, says Victoria Griffith

casual observation of the way people thumb through dead-tree newspapers may yield important insights into the future of publishing on the Internet. Very few people read newspapers from top to bottom, or even cover to cover. Most flip through the pages, pausing when something catches their eye. From the outset, performing

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this filtering job for readers has been a goal of emergent Net publishers - a way of stealing a march on traditional news providers. In fact, customising news into a personalised Daily Me is no longer a pipe dream.

The last few months have

provided a glimpse into the future with the launch of three primitive versione by PointCast, the Wall Street Journal and the Microsoft Network. The services offered by the Wall Street Journal and by the Microsoft Network are alike in that both provide a news service filtered according to subjects nominated in

advance by subscribers.

PointCast, in contrast, allows subscribers to receive a personalised computer news service on their desktop machines via the Net, with various options including general news, sport and business. Subscribers can also select companies they want to hear about.

These new services are fuelling debate as to whether individualised news is an achievable – or desirable – goal. Tailoring information may have important implications. Thirty years ago, most Americans tuned into one of three chief television network broadcasters - ABC, NBC or CBS - for their nightly news. Announcers like John Chancellor and Walter Cronkite were fatherly figures who belped guide viewers through the events of the day. The result was often national consensus.

"Fragmentation has already occurred to a large extent, with specialised publications and cable," says Stan LaPeak, a Net analyst at the market research company Metagroup. "But the new individualised

services could speed that up."
Some see this as healthy. "The thing is that sometimes Cronkite and Chancellor were ther shield the uninformed from reality. At present, someone might tune into TV's nightly news to get a weather forecast and accidentally bear about Russia's election results. A Daily Me would allow viewers to screen this information out, "This could exacerbate the dumbing down of America."

ers believe there is a good market for more personalised news. "People are facing a real information overload, and this gives them a way of sorting through the chaos," says James Reilly, vice-president of strategy at PointCast.



Yet figuring out what people really want can be a struggle. Early Daily Me versions require readers to identify spe-cific interests: news about particular companies and industries, for example, favourite sports teams, or the weather in specific cities. The problem is that people don't always know

what they really want.

James Reilly cites the OJ
Simpson trial to make the point. "When the news story first broke, who would we have directed that to?" be asks. "Football fans? Legal scholars? Residents of Los Angeles? The thing is, a lot of people wanted that story, although it would have been difficult for them to

dynamic. Someone who lives in London may lose interest in the local weather forecast, for instance, when leaving for a boliday in the Canary Islands. An investor may no longer care about General Electric's results after unloading shares. "People's interests change over one thing this medium has a

hard time with right now." Readers may also delnde themselves. A business school student may feel obliged to identify interbank rates as e favourite topic, for example, but spend much more tima

reading about new restaurants. MIT's Media Lab is exploring ways of dealing with some of these problems. In one experiment, the computer observes readers' viewing habits to determine what their interests really are. They may have said they're keen on international politics when what they should have said is baseball.

The Media Lab is also trying to link its news service to readers' L lives away from their computers. Allowing the service to peek at a subscribers' diary may yield improved customisation. In one scenario, Columbia River Other mecha-MIT's Daily Me notices a son- "aisms, such as Excite, limit wrong," says Walter Bender, a have signalled their interest in researcher at the Massachnsettle hattener of Rechnology's
Another problem with the out tipping customer in Sair Thickes viewers would find releMedia Laboratory. Yet LePeak Daily Me may fur desire for information is notice that a subscriber makes at the world as people do. It is frequent visits to concert halls, so offers a piece about new research on Beethoven.

While these experiments are promising, they are not yet available on the market. Meantime, Net publications are addressing the problem by offering a large helping of gentailored "Traditionally, people in the news industry have done a pretty good job of identifying what people will be interested in," says Reilly. "That's why we've formed partnerships with CNN and Renters for reporting. It'e a human filter,

say people in the industry. The other half is retrieving articles to fit the bill. Net editors say they are still weighed down by the feast-or-famine structure of today's primitive search mech-

Some engines, such as Ulta-Vista, capture every word in the text to provide a compreheosive data base. The result is often a deluge of pieces of no interest to the reader. A search for information on Columbia University, for example, may sweep up articles on the Columbia River. Other mechahard for them to understand subtleties of context,

To address the problem, some programs allow groups of cyberspace denizens to dictate the sort of articles selected. The idea is that like-minded people are interested in the same topics. MIT's Fishwrap news service, for instance, many people at the university are reading them. The more viewers the article attracts, the more mickly it moves to the top of the list.

Because of technological barriers, many readers complain that their experience with

does a pretty good job." early versions of the Daily Me Yet identifying readers' true interests is only half the battle. Wall Street Journal's interactive edition, but it didn't work for me," says Craig Stracks, a business school student. "The computer didn't seem to grasp what sort of things I'm really

Advocates of the Daily Me concept say these early attempts were bound to be flawed. "Personalised services are bogged down by primitiva technology right now," says Ted Julian, a Net analyst at International Data Corporation. "But as programs get more sophisticated, so will the Daily Me.

week

on a

Monday

the FT gives you

the chance to

advertise your

internet site to the

FT's influential

readers in 160

countries

Tim Jackson

Juno hints at shape of things to come



maxim, put forward a year Kelly of Wired magazine, has proved a perceptive way of

identifying successful Internet businesses with promise. Kelly's point was that companies eble to create a business model allowing them to give their product away, while covering their costs through advertising or some other source, are best positioned to benefit from the lightning speed at which good ideas spread across the Net.

But the practice of giving things eway has become so commonplace that Kelly's Law now needs to be modi-fied. One should follow not simply the free, but the newly free: either things that have never been given away before, or things given away ln e novel way. A perfect example of both is Juno, a free electronic mail service based in New York, that has just completed its third month of operations.

Free? Yes. Juno's "customers" pay nothing for the software, nothing in monthly subscriptions, and nothing in bourly charges. All they need is a PC, a modem and e phoce line, and they can make a free local call into a "point of presence" provided for Juno by AT&T. All the infrastructure, software and marketing costs are covered by displaying ads on customers' PC screens while they work.

There are a couple of clever twists. One is that Juno's software prevents customers from surfing the Web or attaching large graphics files to their messages. Pictures take up more data than words; for example, an average full-page colour graphic occupies about 100 kilobytes of space on a PC, equivalent to 20 copies of this article. So by barring customer access to graphics and attachments, Juno reduces

"Follow the data they send and receive, free." This and the everage number of minutes per month they spend online, by something between 80 and 90 per cent. That in turn cuts hardware and telecommunications

The other twist is that Juno

customers have to answer 20 demographic questions before they sign on. That ellows the company to present them to advertisers not as an amorphous group of readers or viewers, but as an audience that can be targeted right down to the individual. Advertisers are so keen to direct a message only to men of 31 or more who have two children and earn more than \$47,000 (£30,000) a year, for example, that Juno can echieve averege rates per 1,000 customers reached that are far higher than the Net average. Current rates are something like 6-12 US cents per customer, depending on targeting, compared to 2 cents for the average Web site. Companies and brands that bave advertised include Quaker Oats, Snapple, Mira-max, Wired, Okidata and

Vocaltec. The use of computers allows Juno to do more than simple advertising. The company can also carry out online surveys and opinion polls. where demographic information can be used to correct skewed response rates. So a company that wants to try out an advertisement, or test responses to a proposed new brand name, can see whet Juno customers think of it before unleashing it on the

wider public. In theory, this looks like a technology where low cost and high speed could put Gallup out of business. "I don't think so," is the superficially modest reply of Charles Ardai, Juno's chief executive. "Gallup will always be needed to reach the population that doesn't have access to computers." Ardai is 26. Juno was his idea. It arose during a both the average amount of brainstorming session inside

DE Shaw, a boutique New York investment bank with a technological bent, in which the company's top executives were trying to come up with some Net businesses that would make money. The argument - absolutely correct, in my view - was that e-mail is the only Net activity so far of proven and lasting usefulness. A service that offered e-mail access for free, using a propri etary piece of software ourt to attract enough customers to give DE Shaw a broad plat

other Net businesses. That ambition has been ful filled. In only three months, Juno claims to have attracted more than 180,000 customers.

form from which to attack

While AOL or Compuserve might have to offer PC make ers a "bounty" of \$40 to put a sample diskette in the boxes they send out. Juno has argued that as its service is permanently free, a Juno dis-kette offers more value than a mere one-mooth trial for its competitors - and that PC makers should receive no money for including it.

Juno has persuaded retailers to stock its diskettes next to tills, free with any purchase, so that the diskettes increase store sales. Marriott Hotels and Sony's US movie theatres are pushing Juno. At first sight, the Juno for

mula seems not to be replicable abroad. Where customers have to pay for every local call, as in Britain, the extra cost of receiving the ads can amount to nearly 20 per cent of the monthly cost of paying a Net subscription even if the ad transmission time is only one minute per day. This clearly erodes the advantage of Juno's "free" status. But in practice there is no reason wby ad revenues should not cover phone charges, too,

Within two years, I expect to see free e-mail in many countries using national 800 numbers - and perhaps even to see customers paid to use an e-mail service in return for watching the ads. tim.jacksom@pobox.com

eral interest news along with . time," says Neil Budde, editor information, shifts the order of news says LePeak glumly. However, many Net publishof the Wall Street Journal's articles depending on how interactive edition. "And that's **Every**

Digital sleuth crosses Atlantic

Ted Evans loves a good story. He is widely acknowledged as one of the world's leading digital designers, and The Cypher is his baby. Part Sir Walter Scott, part

HG Wells, part William Gibson, The Cypher is a CD-Rombased elenth novel which involves the viewer at every step in the unravelling of a series of interactive mysteries. In the US for the past year, about 250,000 readers of Launch magazine have been following the adventures of 1999 cybersleuth John Sho-

Cyber

Coopers & Lybrand's site

(unow.coopers.co.uk) is full of

sound information ecross a

range of the group's activities. Its new Business Assurance

section features background

material and updated news on

accountancy, audit and corpo-

rate governance issues. Good

set of links and the World

reshy and his ancestors from the Middle Ages as they try to

The project has won several multimedia design awards in the US. Now Evans and his London-based partner in the production company Crosswa-ter, Pete Brady, plan to tackle the UK market and translate The Cupher into French and German. They hope to develop another adventure, with film video and greater use of the

The aim is to engage readers, who will participate in a similar way to those who attend hotel murder mystery

weekends, says Evans. Players will put the story together themselves, sometimes assum-ing different identities.

so it's not perfect, but it still

For readers, the identity of John Shoresby, the Cypher character living to 1999, has become very real indeed. He has an e-mail address where followers of the novel, either on CD-Rom or through America Online, can send him e-mail. Evans himself assumes the character of Shoresby and replies to the messages. "In 1999 he's supposed to be using Windows 2000, and one of the readers wrote to to say there's no way Microsoft would get it

In 1990, Evans was associate creative director at Watts-Silverstein in Scattle, where he designed multimedia productions for Disnay, Nintendo, Apple and Intel. "The greatest thing was being able to get toto a medium before it hit,

secrets," he says.
In 1994 be formed EPG partner in Crosswater, the CD-Rom production unit in the Clearweter group of

Clearwater: http://clearwater.co.uk

Adobe Acrobat reader.

• Standard & Poor's

Stock Reports site

(www.investools.com/cgi-bin/

Library|sprp.pl) has analysis

and reports on 4,600 US equi-

ties, along with headline sum-

maries. The site is organised

in a nice, searchable, user-

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Cricket Ratings is always worth a browse as well. Britain's National Blood Service is celebrating its 50th anniversary this year and its clever Web site (www.bloodser rice.nbs.nhs.uk) has been put together by the ever imaginative Think Electric, Really nice use of graphics to put across a worthwhile message.

 The Mozambique Relief Appeal (www.ed.ac.uk/~cmp/ moc) is geared to attracting interest and aid for the Maforga area of this African country. The site makes good use of Frames and gives good background information on the problems and efforts to eolve them. An example of using the Net for positiva

• If you play the New York state lottery, keep an eye pealed for LottoTRAX (www.lottotrax.com), which is being developed. It's a program that tracks your lottery selections and e-mails you if the numbers come up, assuming that you need such a

• Tha Commission des Oparations de Bourse (www.cob.fr) is a dual lan by Grolier Interactive. Very ties are, which are the best simple to use and promises branches of Brooks Brothers much. A Daily Review feature : that sort of thing. You'll need

(http://top10.imgis.com) is pro-vided by Politics Now, a collaborative venture between the Washington Post, ABC News and other leading US media groups. It is still developing its content, but has links to the excellent Hotline weekly briefing, and the interactive edition of George The US Environmental

• The Top 10 Political Sites

is under construction.

Protection Agency has outlined details of its Economy and the Environment programme · (www.apo.gov/docs/oppa/eaad/ eedhmpg.htm) with some interesting research reports and facts on pollution control. Junior Chamber International's site (www.jciuhq.com) has information on this global guage French English site networking organisation how with smart graphics designed to contact it, what its activi-

you're really sad. steve.mcgookin@fi.com

Bookmakers are to blame for UK racing's failure to counter the challenge of the national lottery, says Michael Thompson-Noel

most vampiric of sports, it does not suck blood, hut every day, on every continent, it draws greedily on the great reservoir of cash that sustains it. The Hittites, who raced horses and gambled, probably grumbled as inflation nudged the cost of fine horseflesh beyond the price of gold.

And the grumbling has oever stopped. At Ascot on Saturday, Britain's leading all-age. 11/2-mile race, the De Beerssponsored King George VI and Queen Elizaheth Diamond Stakes, was won by an eccentric speedster named Pentire. It was a glittery Ascot occasion.

But in the private boxes. many racehorse owners will have discussed the issue that is depressing British racing. Its reservoir of cash is shrinking. Everywhere, horse racing is

heavily subsidised. A key statistic in all racing countries is the amount of prizemoney available to belp defray owners costs. In Britain last year. racing's prizemooey totalled £58.2m (391m). 6 per cent more than in 1994. In 1995, an equal sbare of the prize total - 16 par cent each - was supplied by owners (in the form of race-cotry fees), racecourses and snonsors. The greatest share, 52 per cent, came from the Horserace Betting Levy Board, which pumps money into the sport via a levy on off-track betting. pump is stuttering. The yield from the levy in the

Orse racing is the hoard's latest 12-month period, to March 31 this year, was £48m, against £50.7m the previous year. The 1995-96 yield was 27m less than forecast in Octoher 1994, just before the introduction of Britain's national lottery, which - to the fury of the puritans and of those who operate rival forms of gamhling - has been a runaway success.

Levy Board chairman Sir John Sparrow says that UK offcourse betting turnover in 1995-96 fell by 4 to 5 per cent. The scale of profit reductions announced by the big, publicly quoted betting companies had shown the industry was experieocing its worst set-backs since high-street betting shops were legalised in 1960. Levy Board chief executive Rodney Brack adds that betting shops have been closing at a record rate. There were about 9,500 at the start of 1995-96, fewer than 9,000 at its eod. Shops that could not be sold were being "locked and left". Bookmakers themselves say there are only

Because of racing's thirst for casb, one part of the sport always blames another if the pipeline from the great betting reservoir springs a leak. Rac-ing is still complaining hitterly about the lottery, and will seek another reduction in the rate of off-track betting tax. From March 1 this year, the Trea-sury cut the rate of betting tax by 1 percentage point, to 6.75 per ceot - too little, too late.

But the real culprits are the bookmakers, who displayed glacial calm in the months before the lottery's introduction. Some time before the lottery started, I had lunch with Peter George, chief executive of Ladbroke, the UK's biggest gambling combine. He was really calm.

"In s way," said George - we were in one of his own hotels, London's Park Lane Hilton -"the lottery will probably have a far smaller effect on general betting than if UK betting were based on a pari-mutuel. Many pari-mutuel bettors go strictly on numbers. It is the same with lotteries . . . But there will be some impact on retail spending behaviour in Britain perhaps on confectionery sales, maybe oo tobacco sales, and undoubtedly on the football pools."

regret every word, especially that quip about numbers bet-tors, which has proved wide of the mark: wider than an asteroid belt. What has clearly happened is thet a lot of borse bettors who were not numbers bettors have switched to the lottery because of its millionaire prizes, slick marketing and the ubiquity of its outlets.
Oh, and a lot of us were fed up with betting shops: gloomy places, dirty places, staffed, almost always, by people from

The Ladbroke chief must

■ The Ecclesiastical Insurance

like a refined tour of Cotswold churches, but turns out to be British cycling's longest and toughest road race.

It is staged on August 4, sponsored - at next to no cost by the Gloucester-based Ecclesiastical Insurance Group. The race takes about five hours. Over 119 miles, riders climb almost 7,000ft, twice the height of Mt Snowdon. (They also descend almost 7,000ft, but that is not a significant consolation).

Ecclesiastical Insurance is Britain's leading insurer of Anglican church property, care homes and independent schools. It also has a prosely-tizing division, Ecclesiastical Direct, which deals with secular policybolders seeking house, contents and motor insurance. Its ethical unit trust is called the Amity Fund.
"No," said Ecclesiastical

spokesman Brian Kiog, "the race is nothing to do with churches. It is a corporate sponsorship just like any other." How much? "About £5,000. Happily, the race is also supported by an enormous vol-untary effort. We are very happy with our sponsorship. What we pay for are prizes, some expenses for foreign competitors, and printed matter.

"The Cotswolds race, which is for the hardest of hard men, is hecoming increasingly important, given the recent cancellation of the Tour of the Peaks race. Cycling is being hit

Pentire (left) winning Saturday's big race at Ascot in style. But the sport has deepening money

hadly by the loss of quality events. There has been no replacement for the Milk Race the Kellogg's Tour of Britain, and there are rumours that the Leeds Classic will be

■ America's National Baskethall Association won a lawsuit against Motorola, the hig US electronics group, last week when a Manhattan judge ruled that Motorola had "engaged in unlawful conduct" by supply-

ing depictions of action during MBA games via a hand-held, pager-like device called Sports-

The device, which sounds really geeky, was unveiled early last year to provide bat-ter-by-batter information on major leagua baseball games. This year, Motorola started to transmit "accounts" of basketball games via SportsTrax.
What you got, basically, was a
visual depiction of where the hall was from moment to moment, which must have

been thrilling if you did not have a life.

The lawsuit was filed by the NBA and its marketing arm, NBA Properties, and claimed lsed to provide play-by-play coverage of NBA games. Threeyear subscriptions to Sports-Trax cost \$200.

Motorola claimad that SportsTrax merely offered a variant of standard media coverage. No, countered the NBA, It did not. What Sports Trax did was cross "the boundary from

mere media coverage of NBA games into competing commer-cial misappropriation of [them?'. The NBA was given a permanent injunction against Motorola, although a claim for unspecified damages was

The media revolution is gaining pace. Boundaries between computing, telecoms, hroad-casting and the ownership of media content - including ownership of sport - are blurring. There is a lot of wrangling to come.

hy is the City of Londen so modest? Planners and considering an ides from the architect Sir Norman Foster and developer Trafalgar Hoose to huild the tallest office building in Europe on the slte ot the Baltic Exchange. Yet when it comes to beight, why stop at Europe? What about the highest building in the world? London has terrific architects, and Sir Norman bas proved himself not just a hrllliant architect but, with his colleagues, an uncompromising campaigner

Man has always wanted to soar into the sky. Even in the Colin Amery · Architecture

Time for London to reach for the sky

1950s Frank Lloyd Wright believed that technology was available to build high. Today it is even easier. The near destruction of London's Baltic Exchange by terrorists means there is very little point in

The site is not in a conservatioo area and is not affected by the limits that can be imposed to protect views of St Paul's. The Royal Fine Art Commis-

sion recommended that Trafal-gar House hold a competition for the entire site, and has said it is not opposed in principle to a high building.

The developers feel that Sir Norman Foster is the right person to design such an important huilding. He has the experience of huilding the Commerzbank tower in Frankfurt - Europe's highest huilding at present. I ascended the

incomplete Commerzbank building the other day and was impressed oot only by its height hnt hy the scale and solidity of the structure, which is being erected on a tight site in Frankfurt's beart. A remarkable feature are the indoor gardens that spiral up the tower and link to the central atrium. The Frankfurt tower is 981ft.

the same as the Eiffel Tower.

How would the "Baltic Tower"

compare? It is planned at present to be 1,427ft high, whereas the tallest huilding in the world is Petronas Towers in Kuala Lumpur, Malaysia, at 1,476ft. The tallest building in London is the tower of Canary Wharf (800ft) while the Nat West Tower is 600ft.

What London needs to know what impact a single giant tower on its eastern skyline might have. Its scale may be dainting - possibly out of pro-portion to almost everything else. The City has been slow in. allowing upward growth of real quality. Skyscapers look good in groups. I recall arguing for just such a policy years ago so that Docklands could have become a great green lung for

London to the east with water parks and splendid housing. Instead, the City seems prepared to allow an arbitrary pat-

tern of growth while Docklands fosters upplanned and overbuilt developments that have no proper links to the rest of London.

One new tower will not be enough to transform London, hut this particular design by Sir Norman Foster offers enormous potential. It proposes public space in front of Holland House, with a mixture of public uses like pubs, cafés and

shops at ground level. Above, the plan allows for large deal-ing floors, something that has not been possible in the format of existing towers.
As a privately funded symbol

of the City's continuing confidence in itself as a leading financial centre, the tower has a lot of point. Its free form allows an element of transparency and its final shape - yet to be decided - should make a distinctive, unforgettable con-tribution to our perception of

But it should not stand there alone. It should be at the heart of a cluster of new towers, creating a skyline fit for the

FINANCIAL TIMES

Professional

Liability

BEIRUT INTERNATIONAL AIRPORT

The Beitut International Airport (B.I.A.) is being rehabilitated and expanded, in line with the "Horizon 2000" plan launched by the Lebanese government, to accommodate an annual flow of about six million passengers, by the year 2000. The Investment Development Authority of Lebanon (IDAL) is pleased to invite interested parties to participate in the following protects open for tender: BLA Car Park, BlA Hotel and BIA Free Zone.

The bidder should demonstrate capabilities to efficientby execute the construction of the buildings and to operate and provide maintenance of the facilities in accordance with the required specifica-

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· BIA Hotel; located on 60,000 m2 of prime land

opposite the main passenger terminal building. The Four-Star Hotel will be of interoational standard with 250 rooms, such as lounges, a panoramic restaurant, bars. conferences and functions areas along with related facili-

BIA Car Park; located in front of the main passenger terminal building, with a capacity for 2,350 cars in a two underground levels and an open-air parking. BIA Free Zone; located

within the Airport parameter, it is designed to accommodate 150,000 m2 of building units, intended for duty free activioes. The Free Zone will have booded storage areas, light industry, trading and

Bidders have the option to, either make their offers

based on the premise that they will build, furnish and equip the facilines according to the required standards and specifications, theo operate and transfer back to the government after a duration to be agreed upon (B.O.T); or bave the government build and the operator furnish and equip the facilines up to the required standards, and then operate it for a period of 15 years from the date of site

delivery (F.O.T). The preliminary deadlines of bids submission are as follows: BIA Hotel 30/10/96, BIA Car Park 9/10/96, BIA Free Zone 3/10/96.

For further information. please contact the Marketing and Information Department at IDAL.



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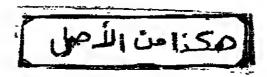
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ARTS GLYNDEBOURNE



o important European festival has a more confused identity than Bregenz Tucked into the Austrian corner of Lake Constance, it is best known for the open-air spectacle of its floating stage, where special effects take precedence over artistic fidelity. This is opera for the masses, and the masses duly respond - 6,000 every evening,

time. But there is a more intimate and refined side to Bregenz every summer an operatic rarity is treated to a slap-up production in the indoor Festspielhaus. In recent years, performancea of Tchaikovsky's Mozeppa, Zandonai'a Francesca da Rimini and Rimsky-Korsakov's Kitezh have been little short of a revelation. This is opera for con-

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many discovering opera for the first

Which is the real Bregenz? The town itself mirrors the confusion. The centre is a mess of traffic and tourists - no more so than the area around the Festspielhaus, where champagne-sipping opera-goers share the early evening sun with crowds of sweaty holidaymakers. Barely 10 minutes away, Bregenz dissolves into a picturesque hinterland, with quiet country roads, vis-tas of woods and mountains, and unspoilt villages.

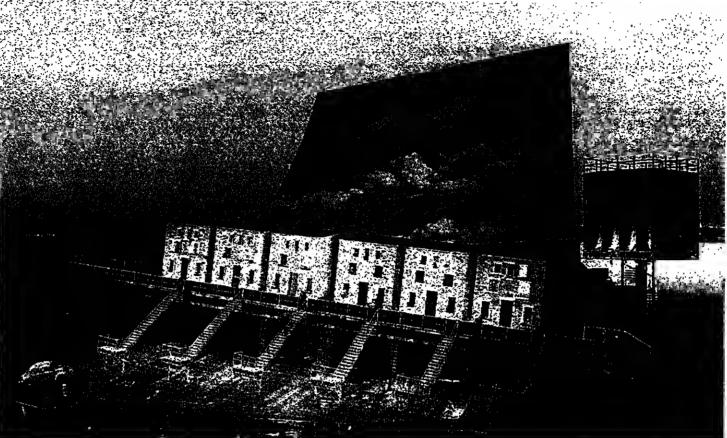
As a grubby lakeside resort, however, Bregenz can hardly sell itself as an upmarket festival. In spite of the quality of the indoor performances, its artistic trademark will always be the floating stage. That is what bankrolls the festival.

Within these parameters, Alfred Wopmann, the festival director, bas shown a lot of imagination. He has been beefing up the indoor pro-gramme: this year includes *The Toming of the Shrew* from Berlin, a concert by Roger Norrington's London Classical Players, and the premiere of a new chamber opera by Georg Friedrich Haas.

The outdoor opera is once again Fidelio. My impressions of it last summer were clouded by having to storm. This year, aided by a glorious sunset, the impression was better - but still not enough to redeem the staging by David Pountney and Stefanos Lazaridis. Their starting point is that we are all imprisoned by our own narrow horizons - blind to, or shrugging off responsibility for, the horrors of the world around us. And so they present Fidelio as a mirror of ourselves: picnickers, joggers, dog-walkers, sunbathers, all oblivious to Pizarro's oppression. The "idyll" of daily life consists of Rocco's allotment and saloon car, a row of 1950s houses and a blue sky. Looming behind is a high-rise block of cells, inhabited by psycho-

logically tortured prisoners. Pizarro is a hureaucrat in an office tower, while those in his service passively or actively collude with him. The minister is an American politician accompanied by majorettes and a fireworks display.

The problem with this scenario is that it swamps and trivialises the opera's central message: the power of love to overcome tyranny. Surrounded by production husiness,



Festival bankroll: the floating stage in Bregenz, set up here for 'Fidelio', is an artistic trademark

Confusion in Bregenz

Andrew Clark discusses a disappointing open-air 'Fidelio'

Leonore and Florestan are reduced to bit-characters. And if everyone else is "imprisoned", what hope has like the same lever florestan when he is free? The lit dramatic pacing. mus test of any Fidelio is: was I squirmed a bit, but I never felt I was being confronted by one of opera's great moral statements.

Pountney and Lazaridis were sednced by a big budget and the need to entertain their public. Full marks to the conductor, Ulf Schirmer, to the ecoustic technicians and a well-balanced cast for salvaging some artistic seriousness.

The previous evening we were treated to Chausson's Le roi Arthus in the Festspielhaus. For anyone who knows and loves the Poème de l'amour et de la mer, a staging of the same composer's only opera completed shortly before his early death in 1899 - was an enticing prospect. In the event, it proved disappointing, and Chausson must take much of the blame.

Le roi Arthus is Chausson's version of the King Arthur fable, but the shadow of Tristan falls ao heavily over it that Wagner's music drama seems concise and entertaining by comparison. There is the same tortured triangle as in Tristan, the same instrument of betraval, the same messy outcome.

ed as a pale copy. Chausson's pre-impressionist personality occasionally breaks through, offering a tantalising glimpse of what might have been if only he had shaken off the Wagnerian drug. And the tale differs from Tristan in significant areas. Arthur is a more central figure than Wagner's King Mark, and unlike Tristan; Lancelot spends most of the opera trying to shake off his guilt for running away with Arthur's wife, Guinevere. He finally does so by sacrificing his life in defence of his king in battle.

So there is none of the allconsuming romantic passion of Tristan. But there is a moral component, which Günter Krämer and Herbert Kapphutiller, his designer, eagerly picked up in their Bregenz production. The round table - a stage-filling platform in the opening scene - was treated as a metaphor for the wholeness and well-being of mankind. As soon as its principles were betrayed by Lancelot's adul-terous relationship, the table began to break up, until in act three it resembled a hombed-out jumble. Only in the final scene was there an

same musical idiom – with nothing like the same level of invention or like the same level or li as a parable of the failure of politi-cal idealism. The bleak message of hope at the final curtain was that, from the ruins of the old, we could start to build something new.

But it sat uncomfortably with the music and libretto - particularly in the fin-de-siècle love scenes, which Krämer cast in the fraught, untactile body language of psychodrama. Much of the evening was simply too static, and Krämer played very loose with the story. Where Chausson has the abandoned Guinevere strangling herself with her own hair, Krämer simply withdrew her into an enveloping gloom. Where Arthur, having forgiven Lancelot, should be borne into a majestic choral sunset, we saw him stooped and saddened front-of-stage. Krämer quoted Brecht on a drop-cloth, but Brecht has no place in an opera where moods and feelings take precedence over ideas.

Nevertheless, Kapplmüller's decor and Max Keller's lighting captured some beautiful images of moonlight and daybreak, the latter mirroring the streams of sun in Chausson's string-writing at the end of act one. And however much one tired of the

tion and harmony, Marcello Viotti's conducting of the Vienna Symphony Orchestra was alive to every nuance of the score.

The cast. reproach. Philippe Rouillon made a suitably tragic hero, filling the stage with Arthur's barren monologues and finding a radiant upper extension to his noble French baritone. The other baritone part is Merlin the wizard, transformed by Kramer into Arthur's "inner voice" and sung with appropriate other-worldliness by Gilles Cachemaille. The main soprano and tenor roles were taken by up-and-coming Americans: with her blonde hair and warm stage personality, Susan Anthony made up for the coldness of the production, while Douglas Nasrawi did his best to salvage something from the wimp-like outpourings of Lancelot.

If this summer's yield aeemed modest, there should be compensation in 1997: Andrew Litton is to conduct Porgy and Bess on the lakeside and Rubinstein's The Demon will be staged indoors.

Fidelio runs until August 22. Final performances of Le roi Arthus: August I and 4 (0043 5574 4920

Theatre/Alastair Macaulay

A Molière for the 1990s

olière'a comedy Les Femmes Savantes (The Learned Ladies, 1672) is not PC. It mocks three women who neglect their traditionally feminine duties for scholarship. Awkward terrain in these feminist days. On the one hand, when Philaminte, domineering wife to Chrysale, sacks a servant, it is not for bad housework but for bad grammar. On the other, the scholarship that she and her two comrades, her sister-in-law Bélise and her elder daughter Armande, follow is itself pretentious. Like the ladies in the Gilbert and Sullivan Patience who are in love with rival aesthetes, these three French women are devotees of the poseur Trissotin and his ridiculous oeuvre.

Given the choice between trusting the robust comedy of Molière's text and making a theatrical issue out of political correctness, Steven Pimlott - directing the Royal Shakespeare Company's production - eventually chooses the latter. Gradually, he rocks the scales of Molière's finely balanced play, until, in its final twofifths, it ceases almost entirely to be funny and leaves a sour taste in the month. This version ends not with ensemble preparations for a happy marriage (as in Molière) but with Armande (who would have liked to get married herself) running out in bitter langhter at the "philosophy" which her mother commends to her, then with Bélise running out to fan her unhappy delusion that her niece's suitor must be in love with her, and finally - as the others go off to prepare the wedding - with Philaminte alone, robbed of all

As Caroline Blakiston plays this noment, very finely, Philaminte becomes the embodiment of the tamed shrew, the hushed virago. She may feel outraged, but she can no longer express it. Rather clever, and utterly wrong. It scarcely fits with the fact that, 10 lines before, Philaminte was announcing her glee in celebrating the marriage with sufficient éclat to fill the discredited Trissotin with chagrin. But so what? Pimlott just wants to end the play with a series of what theatre folk call "effects", and he knows that a few flashy demonstrations of crushed womanhood will go down better these days than something so true to Molière as a happy ending. But Molière was not a misogynist,

as The School for Wives makes clear. As for female intelligence. nobody in The Misanthrope is more witty or erudite than Celimene, nobody more prudent or wise than Eliante. The central joke in The Learned Ladies is that these three particular women, in forsaking their conventionally feminine roles, have been silly enough to do so for petty pedantry in general and a gross charlatan in particular.

that The Learned Ladies celebrates misogyny. He and his composer Jason Carr introduce the second half with a song, "The misogynist Alphabet". Each of Molière's five acts, by the way, is prefaced bere either by one of these gruesomely cynical songs, or by a laboriously cute piece of scene-changing. "Effects" again. Sue Blane, the designer, starts the play in a prettily mock-baroque era, then changes everyone's frocks so that it winds up in modern dress, and Peter Mumford's lighting keeps contrast-ing areas and phases of light and shade with marked and artful

I would have written with more delight and less annoyance had the performance ended at the interval. Until then there is a good deal of wit, much of it delicate, in the playing. Blakiston, Jane Gurnett

Pimlott just wants to end the play with a series of what theatre folk call 'effects'

(Henriette), Niamh Cusack (Armande) and Sebastian Harcombe (Clitandre) are particularly good. and Alison Fiske's artificial account of the deluded Bélise is the production's funniest performance.

There are many ways in which Molière can be done successfully today, in 1991 this same play, per-formed at Chichester's Minerva Theatre, was hilariously translated. updated and retitled The Sisterhood by Ranjit Bolt, in his characteristically virtuoso-rbyming mode. The women embraced post-structuralism, deconstruction . . . You name it, they named it. This version is by A.R. Waller, whose c. 1910 version avoids rhyme (so insistently clevercomic in itself in English) and forces no modern lit-crit jokes on us. It never draws attention to itself, and yet it is free enough to maintain Molière's spirit while departing from his letter.

My favourite line is all Waller's own. Philaminte, urging Trissotin to read his poem: "Sacrifice your epigram on the altar of our impatience." Molière is both the contem porary satirist of Bolt's version and the rational and classical comedian of Waller's. He is not, however, the old-school, old-fogey joker from whom Pimlott's version, with such wretched and emphatic cleverness. parts company.

In RSC Repertory at The Other Place, Stratford-upon-Avon.

INTERNATIONAL **ARTS**

■ AMSTERDAM

Stedelijk Museum Tel: 31-20-5732911 Cobra en het Stedelijk exhibition of paintings and sculptures from the museum'a collection by participants of the International art group CoBrA. The approximately 150 works on display span the period from 1948 to 1962. Included in the exhibition are 17 works by Comeille that were donated to the museum by the artist

ATLANTA EXHIBITION

last year; to Sep 15

High Museum of Art Tel: 1-404-733-4400 Rings: Five Passions in World Art: this exhibition, organised in conjunction with the Olympic Games, explores the power of art to evoke five universal emotions: love, anguish, awe, triumph and joy. More than 125 objects from international public and private collections are grouped into five main sections, each devoted to one of the five

passions; to Sep 29

■ BERLIN EXHIBITION Berlinische Galerie -Martin-Gropius-Bau Tel: 100 Zeichnungen – Ausgewählt aus der Graphischen Sammlung der Berlinischen Galerie: exhibition of 100 drawings from the museum's collection, spanning the period from the and of the 19th century to the present; to Aug 4

■ BREGENZ

CONCERT Bregenzer Festspiele - Festspie und Kongresshaus Tel: 43-5574-4920 Wiener Symphoniker: with conductor Georges Prêtre perform works by Brahms, Stravinsky, R. Strauss and Ravel. Part of the Bregenzer Festspiele; 7.30pm; Jul.

■ COPENHAGEN CONCERT

Tivoli Concert Hall Tel: 45-33 15 10 Emerson Quartet: perform works. by Smetana, lives and Dvořalc 7.30pm; Jul 30

EXHIBITION Davids Samling - David Collection Tel: 45-33 13.55 64 By the Light of the Crescent

Moon. The Near East in 19th century Danish art and literature: divided into three sections, the exhibition gives an overview of 19th century Danish artists' portayals and perceptions of

the Middle East. The display includes texts written by the archaeologists P.O. Broendsted and J.L. Ussing and the architects H.C. Stilling and Ferdinand Meldahl. costume designs by Edward drawings and travel journals, and works by Martinus Roerbye, Adam. Oehlenschlaeger, B.S. Ingemann, August Boumonville, Niels Simonsen and Elisabeth Jerichau Baumann. Some of the exhibits presented are seriously intended and based upon actual experiences and impressions, whereas others are fantastic creations drawn predominantly from the imagination of their creators; to

DUBLIN

Sep 29

EXHIBITION Irish Museum of Modern Art Tel: 353-1-6718666

 Sean Scully: Twenty Years: this exhibition includes approximately 30 paintings and 32 watercolours covering the two decades during which Scully moved from England to the United States, obtained American citizenship and established himself as a pivotal figure in post-war abstract painting. Several of the works are drawn from the artist's own collection; to Aug

■ FRANKFURT

EXHIBITION

Museum für Moderne Kunst Tel: 49-69-21280447 Szenenwechsel X: exhibition featuring works by Albert Ochien, Robert Grober, Jochen Flinzer, Heiner Blum, Mirlam Cahn,

Nobuyoshi Araki, Larry Clark, Jock Sturges, Rosemarie Trockel, Anke Doberauer, Ed Ruscha, Bernd and Hilla Becher, Thomas Ruff, Max Mohr. Markus Raetz, Stephan kenhol and Herbert Hamak; to

■ LONDON

CONCERT Purcell Room Tel: 44-171-9604242 Dar Williams: performance by the American singer/song writer; 7.30pm; Jul 29, 30

EXHIBITION Design Museum Tel: 44-171-3786055

 100 Masterpieces. Furniture that made the 20th Century: exhibition featuring 100 pieces of 20th century furniture. Highlights of the show Include the zig-zag chair by Gentt T. Rietveld, E1027 by Elleen Gray, the Louis 20 chair by Philippe Stark, B3 (Wassily) by Marcel Breuer and the Well Tempered Chair by Ron Arad; to Oct 6 Royal Academy of Arts Tel:

44-171-4397438 Roger de Grey - Painter: an exhibition of the work of Sir Roger de Grey, President of the Royal Academy, who died in February 1995. The exhibition includes paintings and a selection of drawings; to Sep 22

THEATRE Barbican Theatre Tel; 44-171-6384141 Richard III: by Shakespeare Directed by Steven Pimiott and performed by the Royal

Shakespeare Company. The cast

Includes David Trouthon; 7.15pm;

Jul 29, 30

CONCERT

■ LOS ANGELES

Hollywood Bowl Tel: -213-850-2000 Kirov Orchestra: with conductor Valery Gergiev, mezzo-soprano Olga Borodina and the Kirov Opera Chorus perform Prokofiev's Symphony No.3 in C minor, Op.44

EXHIBITION The J. Paul Getty Museum Tel: 1-310-459-7611

and Cantata, Op.78 (Alexander Nevsky); 8.30pm; Jul 30

 19th Century French Drawings: exhibition of 25 drawings by 19th century French mesters from the museum'a collection, with examples from Neo-Classicism through Post-Impressionism, including works by Cézanne, Delacroix, Gericault, Ingres, Millet, Manet and Degas; to Aug 25

■ MILAN

DANCE Teatro Carcano Tel: 39-2-55181377 Orfeo Pulcinella: a choreography by Micha van Hoecke, performed by the Ensemble of Micha van Hoecke to music by Stravinksy in the Castello Sforzesco. Soloists include Luciana Savignano; 9.30pm; Jul 30

NEW YORK

CONCERT Afice Tully Hall Tel: 1-212-875-5050 Leonore: by Beethoven. Concert performance conducted by John Eliot Gardiner and performed by the Orchestre Révolutionnaire et

Romantique and the Monteverdi Choir. Part of the Lincoln Center Festival; 8pm; Jul 30; Aug 1

PARIS

EXHIBITION Musée Carnavalet Tel: 33-1 42 72 21 13

 Georg Aemi – Panoramas parisiens: exhibition of a series of panoramic views of Paris by the Swiss photographer Georg Aemi; to

■ SALZBURG CONCERT

Grosses Festspielhaus Tel: 43-662-80450 Wiener Philharmoniker: with conductor Riccardo Mutl and pianist Radu Lupu perform Beethoven'a Egmont Overture, Plano Concerto No.4 and Symphony No.5. Part of the Salzburger Festspiele; 9pm; Aug 3, 4 (8.30pm)

■ VIENNA EXHIBITION

Palais Liechtenstein Tel: 43-1-3176900 Errò: From Mao to Madonna: retrospective of this legendary figure of European Pop Art, Object Art and Action Painting. The exhibition features about 90 large-format paintings spanning a 30 years period; to Sep 8

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Liberating schools

Bob Dole's voucher plan to help inner-city children afford a private education is Republican social policy at its best

Who says Mr Bob Dole, the \$5hn (£3.2bn) a year. Under his Republican presidential candischeme, the federal governdate lacks vision? In one of ment would offer matching the most important fields of grants to as many as 15 states public policy he is already to pay for "opportunity scholshowing more courage and arships" for about 4m lowinsight than President Bill and middle-income children -Clinton. 1 am referring to eduabout 10 per cent of the school cation and Mr Dole's bold population. The scholarships advocacy of a voucher prowould be worth up to \$1,500 a gramme that would allow many poor children to attend year and could be put toward the cost of tuition at public, private or religious schools.

Speaking recently in Milwaukee. Mr Dole likened his plan to the "GI Bill", a programme whose grants helped a generation of Americans (himself included) afford a college education after the second world war. Significantly, grants under the GI Bill were not restricted to the public sector: veterans had the option of using the money in public or private universities. As Mr Dole noted, wealthy families have always enjoyed a choice of schools. They can afford either to send their children to private schools or to move to neighbourhoods with good public (government-run) schools. His goal was to enfranchise low-income families whose children are against 25 per cent in the pubtrapped in the nation's worst lic sector. public schools. The voucher campaign, he suggested, was nothing short of "a civil rights

movement of the 1990s". The argument should emharrass Democrats whose posture on school choice is Mrs Clinton, for example, send their daughter Chelsea to Sidwell Frieuds, one of the most exclusive private schools in Washington. Yet they (and numerous other politicians who choose private schools for their own children; vehemently oppose measures that would give comparable opportunities to poor families. Public funds, they argue, must be speot "improving" public schools even if these are not good enough for their own off-

Mr Dole cannot be faulted for demanding Impractical changes. True to form he is proposing a modest pilot project that would cost only about

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75.-----

Sceptics may wonder if there is any evidence to suggest that children in inner cities would benefit from such an initiative. Perhaps surprisingly, there is plenty, as Mr Sol Stern shows in "The Invisible Miracle of Catholic Schools", an article in the summer issue of City Journal*, a magazine that delights in challenging couventional "liberal" wisdom, Mr Stern quotes numerous academic studies showing that children attending Catholic schools in New York City do far better academically than those who attend public schools. A 1990 Rand study, for example, found a 95 per cent graduation rate from Catholic schools

The superior performance is not explained by money or student background. Per pupil expenditure in Catholic ele-

is about \$2,500 a year, or a third that in public schools. About 85 per cent of students in Catholic schools in Manhattan and the Bronx are now drawn from minority groups. Mr Stern argues persuasively that the disparity in performance mainly reflects fundamental differences in educational philosophy and values.

After watching teachers in action, he concludes that Catholic schools succeed hecause they expect more from their pupils, impose tighter discipline, concentrate on the basics and use traditional rather than "progressive" teaching methods. School principals have greater freedom in hiring and firing (for example, they can employ people without formal credentisls) and can run their schools without interference from the suffocating hureancracy that envelops the public

school system. By focusing on the needs of poor inner city children, advo-cates of vouchers may finally have found a winning argument. The powerful teachers' unions (which oppose any attempt to introduce real competition in US education) have defeated voucher plans in the past by claiming that they would cause educational



Bob Dole: likens his voncher plan to the 'GI Bill'

mentary schools in New York chaos and henefit wealthy children at the expense of the poor. For example, after heavy negative advertising financed hy unions, Proposition 198 an initiative that would have given all school children in California an opportunity to leave the public system - was

voted down in 1993 by a 21

margin. But it would be harder to defeat a Dole pilot project involving means-tested vouch ers. They would not, by definition, provide any benefits for the affinent or affect the majority of pupils. They are targeted at deprived children that the public system is undeniably failing. Bereft of logical arguments, opponents are predictably claiming that schemes allowing vouchers to be used in religious schools would violate the principle of "separation of church and state" enshrined in the US Constitution. But recent Supreme Court decisions approving public financial assistance for pupils in parochial schools have under-

mined this objection.

Whether Mr Dole has the rhetorical skills to make much of his voucher proposal during the election campaign remains to he seen. But he has attacked the Democrats on a weak flank. There is growing recognition in the US. as else where, that competition and choice are among the keys to improved performance of schools. This has certainly been the case in US higher education which is world-renowned largely because of the vitality of its private universi-

Yet Mr Clinton's efforts to encourage reform of the monopolistic public school system have been feeble, largely hecause he is politically dependent on the guardians of the status quo - the teachers' unions. Free of this constraint, Mr Dole can position himself on the side of

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LETTERS TO THE BDITOR.

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Recognise intrinsic value of artistic heritage

From Mr Anthony Mayer. Sir, According to your July 21 leader "Saving art", you see little point for the UK to seek to hang on to its artistic heritage. Yet the intrinsic value of doing so is well recognised by the French. who expect strong state protection for the nation's patrimona culturelle. And if a good portion of the Louvre collections may have resulted from previous cultural plundering abroad, there is little Gallic inclination in justifying history and their market share by counter

impressionist paintings throughout the world. The country seeks both to promote French art abroad and protect a cultural sanctuary back home, by way, for example, of export prohibitions or the use of local content quotes for media programmes. : .-

Ignoring that pride of place and art patrimony (more than the sum of the parts especially when accrued over centuries) may be the philistine attituda the FT's art columns will often Packer ("Innovative Degas comes alive". June 1/2) deplores that major art exhibits touring the US or

"Europe" often do not pass by the UK's shores. But the UK remains part of Europe and as such does get its share of important international shows. with only Paris excelling more. And that is probably because this gentrified city of glorious museums and monuments can afford a more generous art funding (its tax-base is that of E-mone's wealthiest capital) and also because of a government policy of cultural

centralised public sponsorship. Competitive individualism and the rootless market place should not be the only standards by which to assess

nationalism and more

the arts as public good, especially when also prone to this old English national self-depreciation bias. Not surprising then the current exhibit on Francis Bacon at the Beaubourg museum in Paris and one at the Jeu de Paume to focus on British sculpture this century, achievements which are often snubbed at home in favour of the familiar French or foreign favourites (as attested by shows in London on Picasso, Degas and Cézanne).

Anthony Mayer, 308 West 103rd Street, New York, NY 10025, US

When motivation is a bonus

From Mr Richard Kevern. Sir, Lncy Kellaway seems to live in a very sheltered world. She thinks that publishing pay and bonus levels would be de-motivational and cause many problems ("Is performance-related pay worth it?", July 22). Performance-related bonuses,

invoking the present (sale

driven) scattering of French

What I find de-motivational are Lncy Kellaway's views. I've worked for 20 years in a leading financial services

in particular, ahould be

company where individual earnings are displayed for all to see. This doesn't upset me or any of my colleagues. What would cause problems would be the idea of laying a

shroud of secrecy over how well each of us was doing or that exceptional performance should not be rewarded by the appropriate bonuses.

Richard Kevern, 14 Wraysbury Park Drive. Hants PO10 7UU, UK

Bears will be in for a beating

From J. Gore Browne. Sir, Eric Elstob's letter (July 23) demands an immediate response. There is no inherent reason why the pound sterling should be a weak currency. Just as there were a great many perpetual bears in the gilt market during the period of high inflation in the 1970s and 1980s, there are still a great many perpetual bears of the pound sterling.

As the Bank of England governor has rightly pointed out, if the UK is to remain

doubles by 2081, the provision

of new jobs in industry and

services will be an enormous task, and it is hoped that

charities providing technical

and marketing assistance to

employment creation and

increased support.

executive director,

The Artisan Trust,

51 Wigmore Street.

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John Phrie.

small enterprises in developing counties in order to encourage

income generation will receive

outside Emu, it will be obligatory to maintain highly disciplined fiscal and budgetary policies. The basic outlook for the pound sterling is quite good and I expect the bears of the pound sterling could be beaten over the next five years and will be beaten if we remain outside Emu, the political engine of federalists.

J. Gore Browne, Rutland Centre. Halford Street, Leicester LE1 1TQ, UK

Developing countries face enormous jobs task

conclusion in Martin Wolf's

article on inequality that

From Mr John Pirie. Sir, Your newspaper is normally informative, authoritative and stimulating but the issue of July 23 surpassed the normal, and it was refreshing to read on two adjacent pages such clear views - that Saint Thomas à Beckett should no longer be protected, hnt allowed to live happily ever after with Santa Monica in a mountain top palace beside the Pacific (" 'Saving' art); that those who correctly protest about sweatshop conditions should concentrate on increased

market access for developing

country produce rather than

increased protection

("Sweatshops"); and the

protectionism will not increase employment in rich counties ("The dilemma of inequality").
Please allow me to add one point on the latter subject. Unemployment is obviously a growing problem in OECD counties and, according to the

recently issued United Nations Development Programme Human Development Report 1996, economic growth is leading to increased inequality in developing counties, while the route to human development is the expansion of income earning opportunities.

Taking India as an example,

Off the hook 64 per cent of the labour force, From Mr Lars Narve Larsen about 250m people, work in agriculture. As this percentage Sir, I refer to Richard Donkin's article "Salmon with falls and the total population

an à la carte menn" (July 20/ 21). Mr Donkin went out of his way to serve the salmon the right "little hooks dressed in feathers and hair", but to no avail. Our local paper, Bergensavisen, reports that Mr

Eric Clapton caught a 10.4 kg salmon in the River Laerdal last week. Could it be that Mr Donkin lacks the slow-hand required for salmon fishing? Lars Narve Larsen,

Dept of Research Management,

University of Bergen,

5020 Bergen, Norway

A clash of personalities

cramped setting for two such strongwilled protagonists as Mr minister who slayed hyperinflation and engineered sweeping free-market reforms, and Mr Carlos Menem, the president bent on reversing decades

of national decline. That Mr Menem suddenly sacked Mr Cavallo on Friday, ending months of bitter feuding, may ultimately be less sur-prising than that the two managed to work together for more

than five years.
The sacking raises the question of whether Argentina's economic reform programme will crumble without its chief architect, or whether the edifice constructed by Mr Cavallo is strong enough to survive his own demise.

President Menem's choice of

the ultra-orthodox Mr Roque Fernández as Mr Cavallo's successor could hardly have been a clearer signal to domestic and international markets that economic policy will not alter and that changeover oeed not be traumatic.

As central hank president since 1991, Mr Fernández understands fully the intellectual and practical foundations of Convertibility, the currency board system on which Argen tina's economic restructuring and destruction of hyperinflation have been hased. Since 1991, this has pegged the peso at parity with the dollar, and restored monetary value by banning the printing of local currency unless backed by for-

eign inflows. Mr Menem was at pains to stress that his inability to continue sharing a cabinet with the bombastic Mr Cavallo was a question of personalities, not policies. "We will continue with the same model and the same philosophy," he said.

"I can absolutely assure you that there will be no type of change or surprises in terms of interest-rate or monetary policy," echoed Mr Fernández. Nevertheless, markets will

today be hraced for turbulence. This could be a mini re-run of the Tequila effect," says Mr Geoffrey Dennis, chief Latin American strategist at Bear Sterns, referring to Argentina's financial crisis last year following Mexico's confidence-sapping devaluation. Markets have for months

been preparing for the once unthinkable departure of Mr Cavallo. But Mr Dennis David Pilling on the aftermath of Carlos Menem's sacking of Argentina's economy minister



Carlos Menem: 'We will continue with the same philosophy'

believes the Merval index of hiue-chip stocks, which fell 4 per cent on Friday in the minntes following the minister's sacking, could drop by a fur-

ther 10 per cent. Argentine Brady bonds and other paper may fall. There could also be a net withdrawal of bank deposits hy nervous Argentines, says Mr Dennis, though not on the scale of the \$8bn (£5.1bn), or nearly 20 per cent of bank deposits, that fled after Mexico's devaluation.

None of this will help Mr Fernandez in his most pressing task, that of hauling the economy from recession. "Withdrawal of money will obviously have an [upward] effect on interest rates, which will tend to delay recovery further. says Mr Dennis.

Mr Fernández inherits an

economy that shrunk 4.4 per cent in 1995 and whose sluggish recovery this year is andangering fiscal targets agreed with the International Monetary Fund. Lika Mr. Cavallo, Mr Fernández will be faced with the unenviable task of trying to squeeze more tax revenue from a stagnant economy and forcing further spending cuts in the face of calls for emergency resources to kick-

It was Mr Cavallo's apparent impotence in the face of recession that was the final nail in his coffin. Oncs considered indispensable as the engineer of rapid growth, then as the guarantor against financial col-lapse, hy this year he was increasingly associated with stubborn recession and record

unemployment. Mr Cavallo's previous ability to bully parliament into pass-ing legislation had also evaporated as congressmen rehalled against his badgering. "I was a spent force," Mr Cavallo said at the weekend. "When I said 'A', Congress said 'B'."

Mr Fernández, a Chicagotrained economist whose technical credentials are considered impeccable, will stand or fall according to his ability to manage these political forces. Much of Mr Cavallo's growing unpopularity was due to his refusal to adopt expansionary measures to tackla recession and unemployment.

Mr Fernandez, who will be even less willing than his Harvard-educated predecessor to indulge in supply-side mea-sures, will need to do a better joh in winning legislative sup-port. The future will not depend on Roqua Fernández and his technical abilities -

- but on the support he gets from Congress, sald Mr

The political muscle of Mr Fernández, however, has hardly been beefed up by Mr Menem's admission that the central bank technocrat was only third choice for the post. (Two other orthodox economists turned down the joh.) Nor will the new minister's task be made easier by the fact that nearly all Mr Cavallo's team has resigned with him, ohliging Mr Fernandez to piece together a new economic cabinet virtually from scratch.

Internationally, Mr Fernandez is well known, and this weekend he received the endorsement of Mr Michel Camdessus, managing director of the IMF, an institution with which the new minister is a seasoned negotiator. In the coming months, he will probahly need to use such contacts to cut a new deal with the

That may not he enough. Argentina will also have to tap international financial markets for fresh resources just when investors may be at their most nervous. There are concerns that Mr Fernández, who has a rather dour public image, may not be as good a salesmen as his forceful and flamhoyant predecessor. "My doubts are about his abilities to sell Argentina to the world's capital markets. Cavallo was a master at this," says one foreign investor.

Just as concern over Mexico last year affected markets throughout Latin America. some analysts worry that nervousness over Argentina could have a similarly continentwide effect. "There is a danger that investors will pull back a little from the region as a whole and that this will he seen as another hiccup in regional recovery," says Mr Dennis.

But as in all crises, there is also opportunity. "This could help Argentina because it will demonstrate that the economic model we have huilt over the past five years does not depend on individuals. Says Mr Cavallo. "My going will demonstrate the strength of our political and economic institutions."

Mr Fernández, who today begins the task of filling the void left by Mr Cavallo's enormous personality, will be hoping more than anyone that Mr Cavallo's optimism proves



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Saving the test ban treaty

be absorbed this week by the bomb which has cast a dreadful shadow over the Olympic Games. But there is another issue that has a claim on its attention: ensuring a successful conclusion, or at least avoiding failure, at the Geneva talks on banning nuclear tests.

Even the optimists are measur-ing their words as negotiators gather today for a last-ditch effort to conclude a comprehensive test ban treaty. Since the talks hroke up a month ago, a US concession has boosted hopes of a compro-mise one that will save the CTBT from obligion the upb will leaving from ohlivion, though still leaving it uncertain whether it will ever enter force, But US pressure has failed to

shift the stance of India, which refuses to sign the treaty except in the inconceivable event of all five nuclear powers setting a timetable for total disarmament. If any accord is struck this week, it will be along the lines of the compromise put forward by Mr Jaap Ramaker, the Dutch chairman of the negotiations. His formula broadly meets the demands of Russia and China, which have insisted that the CTBT only enter force after its adoption by the five declared nuclear powers, plus the "threshold" states: Israel, India and Pakistan.

Slim chances

But in view of the slim chances of India ratifying, the compromise text includes an alternative route for saving the CTBT. If, after four years, it is not yet in force, those countries which have adopted it can call a fresh conference to consider ways of accelerating the ratification process. These words are vague enough to mean almost anything to anyone. But it is possible to interpret them optimistically; countries which have already stopped testing might use the follow-up conference to commit themselves to an open-ended ban - in the hope of shaming India into following suit. That would be better than a free-for-all return to testing, though it would be far from ideal.

The chairman's proposal was until recently opposed by the US Atlanta tragedy.

The US government's energy will on grounds that the CTBT should not be left open to the risk of hring thwarted by India. Washington felt there should be a clear procedure for the CTBT to enter force without India's assent. But Mr Warren Christopher, secretary of state, softened this stance when he met Mr Evgeni Primakov, the Russian foreign minister, in Jakarta last week, and they agreed to work together in support of Mr Ramaker's compromise

Rearguard action

The US has failed to secure its main aim - the adoption of a CTBT that hinds the main nuclear powers, without fear of sabotage by India - in the teeth of stalling. on various grounds, from New

Delhi, Moscow and Beijing. Given the pressure that the US can bring to bear on almost any other UN member - by granting or withholding economic or military support - it is surprising that Washington should find Itself at such a disadvantage. One explanation is that US negotiators put so much effort into securing detailed verification systems that they neglected the more basic problem of the CTBT's entry into force. But perhaps the setbacks suffered by Washington reflect something

more than tactics. India's obstinacy over nuclear testing is fuelled in part by a perception - also palpahle in Moscow, Beijing and many other capitals that Washington's cold war victory has made it too confident by half of its ability to set the agenda in international diplomacy.

Caught between an isolationist Congress, which wants an even tougher attitude to other countries, and resentful foreign partners, the US administration's freedom of action in international affairs may be narrowing. While its diplomatic muscle is unmatched, it is also finite, and US policy-makers face hard choices about where to lean most heavily. But in the light of President Bill Clinton's repeated claim to have made the world safer for Americans, the test ban treaty is not an Issue he can afford to

The Mackay revolution

Lord Woolf's proposals for reform of the civil courts in England and Wales have been widely welcomed, deservedly so. The Master of the Rolls' final report, "Access to Justice", is designed to initiate a cultural revolution, led from the Bench. It requires practitioners within the system to accept radical changes. It asks more of them than that. To maintain their present level of earnings they will be ohliged to work more swiftly. making up in greater throughput for a planned reduction in earnings per case.

There can be no guarantee of success. The Woolf approach may depend upon a greater willingness to co-operate within new rules than the legal profession is temperamentally able to deliver. Solicitors and barristers are to be hrought under the management and control of the judges. That may require a willingness on the part of the Treasury to sanction higher spending. The proposition that the reforms will be selffinancing is not convincing, in spite of the prospect of using private finance to iotroduce information technology to the

The effort to implement Wcolf must, however, be made. The existing machinery of Britain's civil courts is notoriously slow, expensive and complicated. Over the past century many reforms have been suggested, few carried ont. Even since 1979 the legal business has remained largely untouched while some other professions have been obliged to mend their ways.

Stark depiction

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Lord Woolf's depiction of the present system is stark. It "provides higher benefits to lawyers than to their clieots", he notes. In claims worth less than £12,500 costs routinely exceed the disputed amount. Only suits involving £50,000 or more are likely to be financially worthwhile. The rich and powerful are thus favoured. but even large companies complain of the relative expense of

British courts. The Master of the Rolls puts forward some 300 proposals designed to rectify matters. in essence, he seeks a simplified mechanism more comprehensible to clients, in which cases will be "managed". The small claims jurisdiction will

be extended. A "fast track" procedure, with tight timetabling and fixed charges, will govern medium-level claims. At the higher level, timetables will be set and managed by the judge.

Case management

Case management, either hy written protocol or directive from the bench, lies at the heart of these reforms. There are some precedents. The Commercial Court manages big cases, such as those involving Lloyd's. County courts in central London, Truro and Wandsworth have adopted managed hearings. Lord Woolf also cites Scotland, the US, Canada and New Zealand as recent exemplars.

He has made his argument. The question is, to what authority? His report was not addressed to the government or parliament, but to the Lord Chancellor, who sits atop the legal system. Lord Mackay of Clashfern says he intends to seek legislation to create a single rule committee to simplify civil court procedures, as proposed by Lord Woolf. He can implement those of the other 299 recommendations that do not require Treasury money on his own authority. He

has already begun to do so. That leaves finance. If Lord Mackay is to widen access to civil justice, as is his stated purpose, he should attempt to persuade the Cahinet that a wholly Treasurydriven system of legal aid is not consistent with the thrust of his other reforms. The purpose of his attempt to gain control of expenditure oo public assistance to litigants is sound. The effect might be to deter the poorest prospective suitors from coming to court, even if costs all round are lowered once the Woolf reforms are in place.

This could mar a reputation that improves on inspection. As a politician Lord Mackay has not always been blessed. He took his knocks over his recent bill to reform the divorce law. His jousts with his own profession may bring him greater credit. Against strong opposition, he provided for self-employed solicitors to appear before the courts in roles previously reserved for barristers. He introduced conditional fees, payable only if the lawyer wins the case. He initiated the Woolf inquiry and appointed its head. The revolution now in prospect is

Lifeblood from transplants

A revolution in British manufacturing has been heavily influenced by Japanese groups such as Nissan, says Stefan Wagstyl

10 years ago this month, lts engineers could scarcely have imagined their influence would reach such small corners of British industry as Lisa McDonnell and Marie Leadbitter's workbench.

Yet any Nissan staff visiting the Frederick Woolley car parts com-pany, in Hockley, Birmingham, would immediately feel at home in the two women's castings shop. "Our target is zero defects," says a Japanese-style sign on the wall. "512 days without a break in sup-ply," says another. Below sits an immaculately clean milling machine, complete with a special sieve the two machinists designed to prevent aluminium filings falling

into the works. Ms McDonnell and Ms Leadbitter organised themselves as a Japanesestyle manufacturing cell after hearing a talk hy Woolley managers who visited Nissan and other Japa-nese carmakers. Ms McDonnell "When they told us what it was like, we said 'We can do that'."

The two women's enthusiasm in British manufacturing in the past decade which has been heavily infinenced by the arrival of Japanese companies such as Nissan. As Mr George Simpson, chief executive of Lucas Industries, the motor and aircraft parts group, puts it. "Nissan was the catalyst."

Productivity in UK manufacturing has soared with output per per-

son rising 43 per cent in the 10 years to 1995, as out-dated management and work practices have been swept away. Britain still lags behind its competitors in manufac-turing productivity, but the gap has closed. According to the govern-ment's recent competitiveness white paper, Germany's lead has fallen from 51 per cent in 1979 to 14 per cent in 1994 and the US's from 86 per cent to 58 per cent.

Mr Nicholas Crafts, professor of economic history at the London School of Economics, says no other waves of foreign investment have made as much impression on British industry, "The Japanese are different because they came in large numbers at a time when the British system was in turmoil."

There are three main elements in the improved techniques introduced into British manufacturing in the past 10 years, none uniquely Japa-

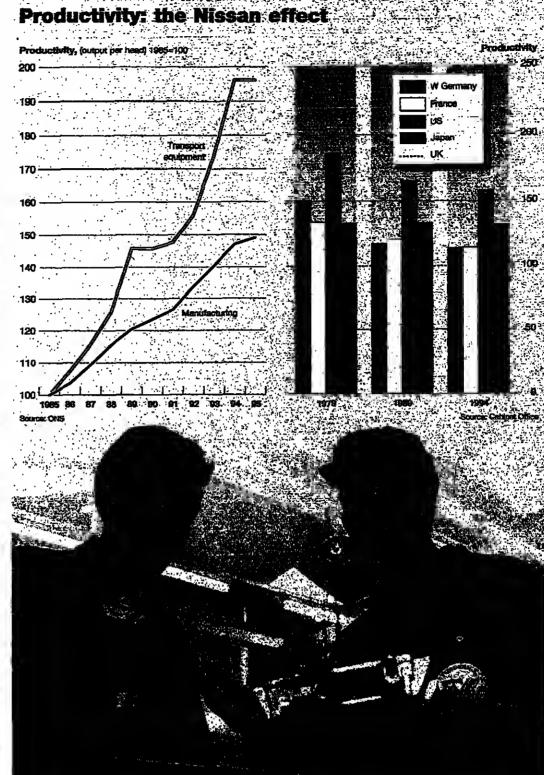
· A commitment to kaizen, or continuous improvement. Co-operative relationships between workers, managers and

· A big emphasis on measuring all aspects of business, from serious faults to misplaced labels, to identify precisely what needs improve-

Before the arrival of the Japanese, British managers knew these elements mattered in good manufacturing. They just did not believe they could be pursued aggressively in the UK with its hide-bound industrial relations system.

Nissan, followed by Toyota Motor and Honda Motor, which have also set up UK plants, showed it could be done. As Mr Terry Belton, operations manager of Ford Motor's Dagenham plant, says: "It was only when the Japanese transplants came here and achieved the same as they did in Japan that we realised we had to sort ourselves out." British workers have proved

much better than the Japanese expected in applying the improvement techniques. And it has been British managers, not Japanese,



who have played the central role in the process - even at Nissan UK. Indeed, the changes have been made without cutting out the unions - they have remained in lace in almost all existing plants It is attitudes, not people, which have changed. "Japanese companies have shown you can take a British workforce in Britain and stay competitive," says Mr Tim Eggar, the former industry minister.

Marie Leadbitter and Lisa McDonnel

It was not easy. Managers in the autodriveline division of GKN, the engineering group, which makes transmission components in Birmingham, recall that they thought Nissan's quality standards were impossible to meet when they first heard about them. But after 10 years of effort, GKN has kept its place as a leading supplier. "To be quite frank we dragged industry into the 20th century," says Mr Ian Gibson, managing director of Nis-san UK. They bitched like hell at the time. Now they can see what a

Nissan's arrival spurred UK ernise its work practices, often Dagenham, the workforce was halved to 4.500 between 1990 and 1995, while output rose to a record of 250,000 cars a year. This year, the UK plant started producing vehicles for Mazda Motor, Ford's Japanese affiliate, coming off the same line and hnilt to the same standards as their own models.

At Rover Group, too, there have been striking advances in productivity despite the uncertainties caused by the break-up of its joint venture with Honda Motor and its sale by British Aerospace to Germany's BMW. Old-established carmakers such as Rover now make much the same quality demands as the Japanese, according to managers at British Steel's Llanwern

But while big British companies increasingly compare well on pro-ductivity, Britain has a long tall of

underperforming smaller compa rivals, notably Ford Motor, to mod-nies, according to the competitiveness white paper. As Sir Brian drawing on Japanese techniques. At Moffat, chairman of British Steel, puts it: "We have come a long way, bnt there's still so done." Studies by the Department of

Trade and Industry confirm the

same is true for the motor industry: while the UK's car assembly plants can match the world's best, their suppliers mostly cannot. Moreover, the performance gets worse the fur-ther down the chain one moves. There have been significant improvements already in the quality of components supplied to the industry. Nissan estimates that the number of suppliers meeting its ton standard of 10 faults per 1m parts delivered has risen from 16 out of 200 to about 50 in the past four

years. However, the same figure for Almost all the carmakers' direct suppliers are now closely involved in trying to raise quality and pro-

ductivity at their suppliers. Some of these direct suppliers are in turn trying to pass the message to their own suppliers, and so on down the

Frederick Woolley, a Lucas supplier, is a conspicuous example. It has established a purpose-hullt training centre for its 200 staff and for its suppliers, complete with videos and other materials.

Mrs Shirley Woolley, the company's human resources director, says a key lesson is in training workers for a range of different tasks because workshops can no longer afford the luxury of specialist craftsmen. "We are a small company but lots of even smaller com-

panies come to learn from us."

But Mrs Woolley is the first to admit there is a long way to go.
While Frederick Woolley's deliv. eries to Lucas have less than 100 faults per 1m parts, its own suppliers score 3,500 and more.

The problem is that the Nissan effect weakens with distance. The smaller companies further down the supply chain have little direct contact with Japanese inspired methods. A study last year by Andersen Consulting, the management consultants, found that productivity in the British motor industry was still only 36 per cent that of the world's

he newly created Industry Forum, which brings together the government and the motor industry, acknowledges that it eds to help smaller companies which want to perform better, but do not know how. It is organising training for such suppliers, including visits to Japan and contact in the UK with Japanese engineers. As Mr Gibson says: "There is little evi-dence of self-generating improvement among smaller suppliers. It

has to come from us." Even larger companies can find difficulties in meeting some of the disciplines imposed by Japanese carmakers, notably the extent of performance measurement. Under Nissan'a QCDDM supplier evaluation system, suppliers are rated for quality, cost, delivery, development of new products and management. Most suppliers accept the first four, but dislike being rated on management because it involves Nissan staff assessing executives at supplier companies - often people more senior than themselves.

The biggest difference is that in Japan people accept such monitor-ing," says Mr Steve Frank, a supervisor at the Nissan factory who has been trained in Japan. "We don't

Nissan's influence is not limited to the motor industry. Managers from all over the country flock to are booked months in advance. The government has sponsored teams of experts to learn from Nissan and other Japanese carmakers.

The state of the s

At a local level, too, the company shares its knowledge: it arranged highly successful courses at colleges in the north-east for multiskilled maintenance workers.

But perhaps more significant is the less tangible influence of Nissan and other Japanese carmakers on industry as a whole. At British Steel, Sir Brian says: "The one thing the Jananese motor industry has done is to have taught UK Ltd the value of quality."

There is also a deep appreciation that the reform of work practices has changed relationships between managers and workers for the better. As Mr Gibson says: "We showed that employees are not just dead

OBSERVER

Trading on goodwill

■ The World Trade Organisation has scored an unexpected coup in getting Keith Rockwell, Washington burean chief of the New York Journal of Commerce, to take on the job as information

Rockwell, 87, rose swiftly through the ranks at the Journal and had been tipped as a possible editor. Usefully for his new spot, he managed to acquire a compendious the Uruguay Round of global trade talks when he was the Journal's European bureau chief

In Washington he has been a critic of US trade policy, lambasting the Helms-Burton legislation penalising foreign investors in Cubs and lamenting the failure of American leadership in recent WTO negotiations on financial, telecoms and maritime

Rockwell's main task will be to try to raise the WTO's low-key public profile and to push its free trade message. Nor should he have much trouble handling journalists. WTO ambassadors, notoriously secretive, could prove more difficult

But earlier this month, in an encouraging omen, they agreed to hand out most WTO documents to the public. Perhaps the hardest part of

what these mostly impenetrable. papers really mean.

Rockwell's job will be explaining

Buying into doom Elaine Garzarelli, the former Lehman Brothers strategist best known for anticipating the 1987 stock-market crash, has been in gloomy mood. Indeed, her prognostications are blamed for some of last week's damage on

market forms the backbone of her newsletter, said all signals were coming up "sell". And many investors then did just that. And yet. Judging the impact of any one analyst is nearly as difficult as working out whether advertising works, but there are reasons to ask gently whether her

Garzarelli, whose model of the

influence is really that great. She has a widespread following among private investors, but relatively shallow fund management support.

Some are suggesting quietly that the market was looking for any reason to fall, and that Garzarelli's alarm call was just an excuse. Predicting the turn is one thing, but provoking it quite another.

Paperchase ::

■ Some of the UK's most senior media executives and tycoons have reflecting European managers' given up reading the newspapers at epicurean tradition, there is an

Instead they're being spoon-fed

for a fee - with all the latest media news from the papers sent by fax The personal bulletins come with the stories ranked in importance like a news list complete with page

The executive service comes. from Harthill Communications run by Marshall Stewart, a former editor of Radio 4's Today programme and former director of

munications at Central Television, the ITV company. Executives say it saves them at east two hours at the weekend reading the papers.

It could be the start of a new medium.

Indigestible ■ Observer has just received the

first issus of the Community of **European Management Schools** answer to the existing beavyweight semi-academic business

Like its numerous rivals, it has worthy pieces on themes such as the limitations of the "instrumental perspective" to human resource management (arguing that personnel practice. reflects not just managers' objectives but their interpretation hy the shopfloor).

But there is a difference. Perhaps

article on wine and lood, and three separate editors to co-ordinate

The first issue - eating and drinking in Atlanta, timed to coincide with the Olympics warns that although wine is iced tea is the preferred drink.

Worse still, there is samply never a

heese course. A thesis on the international image problems of European management should perhaps be the next commission.

Cuts both ways ■ The British government's recent efforts to slash red tape remind a reader of his time in Egypt a few years ago. He was attempting to build a

factory, and had become mired in red tape of just about every conceivable kind.

The government then announced that it had upened a bureau " that should have set the alarm bells ringing, as he remarks - to help people cut red tane After a month working with the new office he relates, things had

gone from bad to worse. "But you're supposed to be cutting red tape," he bleated. But we do, we do, beamed the official with that inimitable Carrene charm.

But you see, we cut it

lengthways

things in your hands." Ginancial Times

106 years ago

The Rhodesia Rising Bulawayo. Great distress prevails at Gwelo. The food smolies have run out, and no supplies have rim our, and no meat can be had. The inhabit and have asked the authorities to send relief at once. The force under dir Frederick Carrington is maying through the Matoppo Hills. The reported massacre of the friendlies is much exaggerated most of the warriors being engaged in salvage operations. The force numbering 300 men under Captain Nicholson had an gagement yesterday with Babyan's impis. A few of the rebels were killed, and their Women and children were captimed.

50 years ago Demand for Diamonds. The demand for diamonds goes on unabated. At the "sights" held in London during the current year, the burnoyer suggested that the record world sales of £24,500,000 in 1945 may be exceeded by an ample margin. Demand from the United States. always a dominant factor, has remained intense. Moreover, the Anisterdam and Antwerp cutting and polishing industries are regaining much of the ground lost during the war, and their buying has been sustained.

حكذامن الأحل

Limited benefits for employment and trade

Emu would offer 'only modest gains' to Ireland

By John Murray Brown in Dublin

Ireland's participation in European economic and monetary union would produce only modest gains in output, employment and trade even if the UK. Ireland's main trading partner, joins as well, according to a report for Dublin's ministry of

The Economic and Social Research Institute envisages a net gain of 10,000 jobs if Ireland joins and the UK stays out. Ireland is one of three economies in the European Union which currently qualify for Emu under the Maastricht criteria on debt, budget deficits and infla-

The economy will benefit from lower interest rates, increased international investment in Ireland, as well as "an intangible confidence factor".

But any move to join a single currency will hit both the financial services sector and manufacturing companies in relatively

open domeslic markets and dependent on exports to the UK. Ignoring unquantifiable effects, joining with the UK should lift gross national product by about 1.4 per cent of GNP on

20,000 jobs," the report says. would be more modest, with GNP growing by 0.4 per cent and pro-viding for 10,000 new jobs over

average, and entail an additional

Ireland is dependent on the UK for less than 30 per cent of its exports, down from around 60 per cent 20 years ago. But the industries most tied up with the UK market - clothes, shoes, textiles and food - tend to be more labour intensive.

The report looked at a range of sectors from building and construction, which were seen to benefit from the more benign interest rate conditions, to concerns which are particularly exposed to the UK market.

The financial services sector will suffer through one-off conversion costs and the loss of foreign exchange business as Ireland adopts the euro currency. The report says such a move would imperil as much as 7 per cent of the sector's workforce, or

between 2,000 and 4,000 jobs. It also warns that Emu membership will have a long-term impact on the "future development and training of etrategic management class within the Irisb financial services sector."

The findings, are hardly a ringing endorsement of the government's pursuit of early membership of Emu. Mr Rnairi Quinn, the Irish finance minister, says that the report will help stimulate public

By highlighting the competitive challenge represented by Emu, the government is boping to encourage moderation from the unions ahead of the next

three-year pay round under the Programme for Competitiveness and Work, which must be agreed

Indonesia sends in troops to suppress political violence

By Greg Earl in Jakarta

Hundreds of Indonesian troops were deployed by the government yesterday following the worst political violence in Jakarta, the capital, for 20 years.

The use of troops and some police armed with automatic weapons was a sharp escalation of the government's response to rioting on Saturday, which caused tens of millions of dollars

The country's president, Mr Suharto, yesterday called for national unity in a speech to mark a Moslem religious boliday. but be did not specifically refer to the riots. "Only with unity and high discipline can we develop a

future together," be said.
Indonesian stock and currency markets declined late last week partly as a result of fresb rumours about Mr Suharto's bealth. The markets will face a further test today as investors re-assess what has been one of the developing world's favoured loca-

Buildings containing eight Indonesian-owned banks were stoned or burned in Saturday's

riots, along with several other business premises in a Jakarta secondary commercial district. More than 200 people had been arrested by last night. The military confirmed two deaths, although there were reports of a higher death toll.

General Feisal Tanjung, the the situation was under control but be threatened to continue to crack down on what be described as political extremists behind the

The violence began after police stormed the central Jakarta office of the country's main oppo-sition political party, the Indon-esia Democracy Party (PDI) early on Saturday.

Last month, the government engineered the ousting of the popular PDI leader, Ms Megawati Sukarnoputri, triggering a sit-in by her supporters that challenged

the government's authority. Police officers, most equipped with riot shields and batons, lost control of crowds protesting against the office takeover and were forced to wait for army reinforcements with armoured personnel carriers as the attacks on

property began. Ms Megawati called for calm at the weekend. She showed no sign of confronting Mr Subarto, who has ruled for three decades after seizing power from her father, Mr Sukarno. She said: "I would like to continue as normal but now the thing is out of control. I am very, very sad about what has

One significant clash occurred yesterday. in which police arrested about 20 demonstrating youths, beating and kicking them in front of foreign Journalists.

Indonesia restless under

Belgrade hires UK PR group to advise on image

By Bruce Clark, Diplomatic

The Serb-led state of Yugoslavia. until recently an international pariab, has hired Lowe Bell Financial, founded by the British Conservative party'e advertising strategist Sir Tim Bell, to

improve its image.
Lowe Bell and NatWest Markets, the investment bankers, acted as advisers to a senior Yngoslav delegation which met eading credit rating agencies in London last week in the hope of regaining access to the financial

Sir Tim, a close adviser to Lady Thatcher during her suc-cessful election campaigns, has also provided public relations advice for clients ranging from Mr Boris Yeltsin, the Russian president, to the British meat

and livestock commission.
But the rehabilitation of rump Yngoslavia, which was subject to stringent international sanctions until last year's Dayton peace

agreement, will be a particularly challenging assignment.

Under the guidance of its UK advisers, the Belgrade delegation signalled a somewhat softer line in separate rows over the liabilities. ties and assets of the communist

Yugoslav state.
A three-day meeting with the London Club of commercial bank creditors, aimed at reaching an agreement on Yngoslav debt, was described as "constructive and friendly" by the head of the

delegation, Mr Vuk Ognjanovic. Belgrade started legal action in the London High Court earlier this year in an effort to prevent the London Club from making a separate financial settlement with the former Yugoslav republic of Slovenia.

But in a hint that it was pulling back from litigation, the delegation which conducted last week's talks did not include Mr Richard Levy, the lawyer who has been acting for Belgrade in the London courts.

In another sign of a softer attitude, NatWest Markets is understood to have written a conciliatory letter to the Bank of International Settlements, saying that Belgrade was willing to discuss with the BIS the division Suharto's tight rein, Page 3 | of the communist state's assets.

THE LEX COLUMN

Thomson tactics

above the current share price, the

Such valuations look a bit overdone.

UBS, for instance, assumes two enti-ties are demerged: P&O'e strongest

erty portfolio. It then puts the rump on a market rating - a distinctly racy

valuation, given the gloomy prospects of its main constituent parts. Still, like

most messy conglomerates, P&O clearly does trade at a discount. Take

into account the fact that many of its

businesses would be worth more to their competitors, and the case for

Of course, P&O is making a start.

Lord Sterling has promised to float Bovis Homes, sell some property and pull out of hulk shipping. These moves

smack of cash-raising expediency but are still welcome. Meanwhile P&O has

persuaded the government to allow it to discuss collaboration between its

Assume this all happens, and what

Assume this all happens, and what is left? Still rather a ragbag. But it would contain some jewels. And only one major headache would be left container shipping, the single biggest source of P&O's problems. The problem is that it gobbles up capital yet.

delivers paltry returns. The trick will

be to merge it with one or more of its

competitors, boosting its market posi-tion and taking out large chunks of

cost - either by selling it altogether,

or through a joint venture which

For whoever runs P&O, this is the

real test. Ironically, it is also the one

convincing argument for leaving Lord

Sterling in his job. If there is one good

reason why P&O's biggest sharehold-

ers do not - yet - want him to walk the plank, it is that his contacts and

knowledge of shipping give him a bet-ter chance of doing a successful con-

tainer deal than an imported break-up

artist. Moreover, the signs are that

shareholders have exerted enough

could later be spun off.

ferries business and Stena's.

slimming down P&O is powerful.

prospect looks mouth-watering.

PEO

Why is the French government insistent on privatising Thomson Multimedia as a package with Thomson-CSF? The companies - one a con-sumer electronics business, the other a defence group - have virtually nothing in common. And each has different, suitors: Korea's Daewoo is interested in Multimedia; Alcatel Alsthom, Lagardère and Britain's GEC want a deal with Thomson-CSF. If the government wanted to maximise its sale proceeds, it would hold two separate auctions. So why isn't it?

The conventional answer is that Multimedia would be difficult to sell because it loses money and is weighed down with FFr14bn of net debt. But is this the whole story? The Koreans would presumably still be interested if enough of Multimedia'e debt was wiped out. Cash raised from selling Thomson-CSF could be used for the purpose. The snag is that such a manceuvre would immediately expose the French government to the charge that it was subsidising Multimedia. For example Philips, which is having to slash 6,000 jobs in its consumer electronics business, might argue it was facing unfair competition. Surely, Thomson should have to cut its lossmaking European operations too instead of receiving a huge dollop of

Privatising Multimedia and Thomson-CSF as a package may disguise the aid and stop the European Com-mission's competition authorities asking awkward questions. But it will not change the fact that the former is being subsidised.

P&O

That something needs to change at P&O is self-evident: the long underperformance of the share price speaks for itself. The real question is: what change, and by whom?

The management certainly has plenty to answer for. Too often. despite his reputation as a canny trader, P&O'e chairman Lord Sterling has made the wrong call. Staying in cross-channel ferries and container shipping were classic mistakes. So was hanging on to P&O's large property portfolio essentially a high-inflation strategy. Falling inflation has left the group facing a nasty cash crunch.

Nor did these decisions reflect a coherent plan: the resulting group is a muddle. So it is not surprising that break-up enthusiasts have their knives out. Ditch Lord Sterling, the argument runs, and let a corporate surgeon dismantle the group instead. With brokers like UBS estimating P&O's break-up value at up to 30 per cent

ese Plan

pressure to make Lord Sterling deliver. Nonetheless, they cannot simply take this on trust. The danger that they may just get constant promises of jam tomorrow - is too great. So they must keep up the pressure. True, a successful container deal could take time, and shareholders do not want P&O to end np a forced seller. But they cannot just sit on their bands for the leisurely 18-24 month restructuring timetable big shareboiders mustly envisage; visible signs of progress are

needed well before then. One obvious wey for shareholders f. protect their interests would be to demand further changes to P&O's board, which has always looked long on Lord Sterling's friends and short on beavyweight independent voices. Two recent non-executive appointments have helped. But shareholders should

Fiat

Signs are emerging that internal politics at Fiat - always a subject of avid speculation - could be about to take another twist. Officially, everything is calm. But some members of the Agnelli family, which owns 33 per cent of the group, have privately voiced concerns about the powerful role occupied by Mr Cesare Romiti, Fiat's new chairman and not a family member.

According to one theory, the Agnelli family would like to wrest back greater control of Fiat from Mr Romiti and Mediobanca, the Milanese investment bank which backs him. As a result of a shareholder syndicate put in place when Fiat needed a huge capital infusion three years ago, Medio-banca and its allies are able to veto the family on decisions despite owning relatively small stakes. Hardly surprisingly, some family members think the syndicate should be abolished. There has also been speculation that the family is grooming Mr Paolo Fresco, vice chairman of General Electric of the US and a non-executive director of Fiat to replace Mr Romiti when be retires in two years.

How does all this affect outside shareholders? It rather depends on what the Agnelli family would do if it gained greater control of Fiat. While loosening Mediobanca's power might have some theoretical appeal, turning Fiat into a family fiefdom would not. For investors, it is too early to say which - the family plus Mr Fresco or Mediobanca plus Mr Romiti - would best achieve what really matters: accelerating Fiat's transformation from a relatively diversified Italianbased group into a more focused international company.

Continued from Page 1

investigators have failed to resolve the mystery surrounding the explosion on July 17 of TWA flight 800 which killed all 230 people on board.

The weekend brought no conclusive evidence of what caused that crash, but investigators are exploring whether an explosive device may bave been in the cockpit or forward section of the

las MD-11 jets and its five Boeing 747s at the rate of two aircraft a

Swissair's order is a coup for Interactive Flight Technologies, a 21/4-year-old US company which floated its shares on the US Nasdaq market in March 1995 at \$5. IFT is capitalised at around

its own money - only its reputa-tion - in the project. IFT will recoup its investment from the gambling revenues and will oper-

managing the system. Swissair carries over 3m passengers a year on long-haul flights. If a third gamble and lose \$100 each then IFT believes it could recoup its investment

within 18 months. IFT, which lost \$4.2m in the six months to the end of April 1996 does not expect to make a profit

Atlanta bomb | Swissair gambles on inflight casinos

the best inflight entertainment". Swissatr's passengers also will be offered up to 60 different movies

tem and over 600 music titles. Swissair is not investing any of

ment contract. It will also receive a portion of other revenues for

Continued from Page 1 \$130m. Mr Michail Itkis, the 32year-old founder, said his philosophy was "not to operate a casino, but to provide passengers with before it will commit Itself. Swissair's system will be installed on 16 McDonnell Doug-

FT WEATHER GUIDE

via a digital video-on-demand sys-

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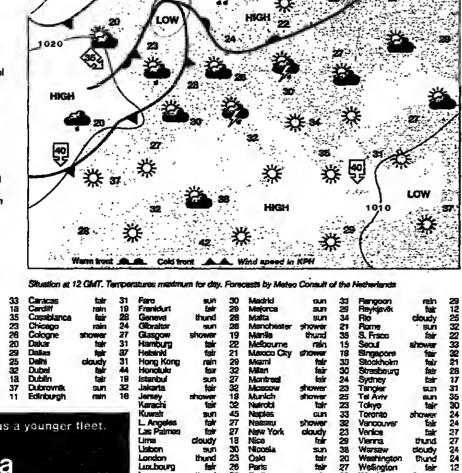
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tion	Company Name	
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Europe today

Most of the continent will be warm but front from Moscow through Prague. The southern Alps will have thunderstorms in the atternoon. A depression over England will start to bring more changeable and cooler conditions to western parts of the continent. Northern France and the Low Countries will have thunder showers in the afternoon and northern Spain will have some rain. Northern Scandinavia will be cool and wet but the south will be mainly fair. Abundant sun, with afternoon temperatures as high as 36C, is expected from southern Spain to Bulgaria.

Five-day forecast

Thunder showers will cross the Alps and northern Italy tomorrow. Later this week, southern Italy and the Balkans will have thunder showers. North-western Europe will become windy with showers but France will become dry and sunny again. Most of Spain and Greece will continue hot and sunny. Northern Europe will have periods of rain and will be rather chilly.



TODAY'S TEMPERATURES

No global airline has a younger fleet. Lufthansa

Fare
Frankturt
Genevel
Genatur
Glasgow
Hamburg
Honolular
Istanbul
Jakarta
Jarasy
Karachi
Kuwah
L. Angeles
Larna
Usboen
London
Linchourg
Lyon
Madeles shower thurst thurst shower shower shower cloudy fair sun shower cloudy fair sun shower cloudy fair sun state tair tair Tel Avr
Tokye
Toronto
Vancouve
Venice
Venra
Warsaw
Washingto
Waffingtor
With people

COMPANIES & MARKETS

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LEGAL DEFINITIONS

paralegal n. 1 one who provides advice at great height (usu, 20,000 feet) 2 wordy legal document with many indented lines 3 a person trained in subsidiary legal matters. see ROWE & MAW: asap (ph 0171-248 4282)

Rowe & Maw LAWYERS FOR BUSINESS

Monday July 29 1996

SBC Warburg loses seven top clients

SBC Warburg, the investment bank created when Swiss Bank Corporation acquired SG War-burg last year, has lost nearly a third of its largest UK corpo-rate finance clients since the

An FT analysis shows that of 24 companies in the FTSE-100 index which were listed last year as SG Warburg clients, seven have dropped it as adviser. Five of them have not publicly disclosed the

BOC Group, the industrial gases producer, has in the last month switched to J.P. Morgan, with Schroders advising on transactions in Asia.

BOC said: "We wanted somebody who could give us a bit more global coverage."

Burton Group, the clothing retailer, has hired BZW and

worked with the Barclays Bank division on its recent acquisition of Innovations. Boots Company, the chemists, used CS First Boston on a

disposal and the company is also in contact with Kleinwort Courtanlds, the textile manufacturer, said it dropped SBC

Warburg about two months ago after the account directors assigned to it left the bank. It has named J.P. Morgan as Enterprise Oil, which is

close to Mr Bill Harrison, the new chief executive of BZW, said SBC Warburg was no longer regarded as its lead bank. In an announcement earlier this month, Legal & General, the life assurance company, said it was appointing Schro-

The seventh FTSE-100 witch from SBC Werburg was marked by Southern Electric's use of BZW in its bid for Southwest Water.

Clients have abandoned SBC Warburg largely because of the departure of the Warburg corporate financiers they knew. Of 136 executives of director level and above in the merchant banking division, at least 55 have resigned or been dismissed since the takeover by SBC.

The erosion of Warburg's UK client base - the largest in the City - compares with the reverses suffered by Schroders, Morgan Grenfell and Kleinwort Benson in the 1980s and early 1990s.

SBC Warburg remains firmly in place at eight FT-SE 100 companies: General Electric Company, GKN, Grand Metropolitan, Great Universal Stores, Reed International, Reuters Holdings, Thorn EMI and TI Group.

At a further nine FT-SE 100 companies - Allied Domecq. BAT, PowerGen, Sainsbury, Siebe, Smiths Industries, Tate & Lyle, Unilever and Zeneca -SBC Warburg remains on the panel of regular advisers whila fighting to maintain its post-

However, it appears the worst of the client losses are over; SBC Warburg has had no recent notifications from its clients that its role is being re-examined. SBC Warburg is also understood to have won a large mandate from a company with which it has no listed relationship. Shaking up the cororate list,

COMPANIES IN THIS ISSUE

The Italian Treasury is to seek

cash injection.

The Treasury now controls the Neapolitan bank, which lost a record L3,155bn last year. It will vote at tomorrow's shareholder meeting for a L2,288bn capital increase to cover the losses and give it

Under pressure from Brussale' competition authorities, the government has dropped its original plan to invite participation from other banks now and launch the full

end of next year.
With the end-July deadline approaching and the Commission hinting at a

approved a new decree which will hive off L10,000bn of the

fifth of the total loan portfolio into a separate company which will be liquidated. The Treasury will then try to sell all or part of its stake by

Mr Carlo Azeglio Ciamni, the Treasury minister, believes the new plan will make Banco di Napoli more attractive to investors, which would

to bring forward privatisation.

retail bank, having already

pulled out of overseas forays in

France, Australia and the

This leaves it with a set of

operations that it wants to

develop and expand. One direc-

tor says that the results for the first half will be "largely incomprehensible" because

they are so heavily skewed by

write-offs and provisions. Yet

Netherlands.

interest other banks, with the whole process in line with European Union rules," said Mr Clampi

that adopted by the French government for the relaunch of Credit Lyonnais and approved

privatisation, given Banco di Napoli'a track record and its long-standing reputation as a

Getting into shape

Income by market

Infrastructure

ltalian

parliament have divided along geographical lines in the last fortnight over whether to pump more money into the bank, with the separatist Northern League arguing against and the right-wing National Alliance, which is

achieved some progress with a restructuring plan, including a recent agreement for a

the ssle of the bank's

In recent weeks, reports suggested that Banco Ambrosiano Veneto, one of the biggest private sector banks, was a front runner to participate in the rescue of the Naples bank, along with Treasury-controlled banks such as Mediocredito Centrale and Banca Nazionale del

will now have at least until autumn to decide whether to

Berlusconi's heir apparent

Mr Silvio Berlusconi's eldest daughter Marina, 29. was yesterday confirmed as heir apparent to the former finance, property and retail empire when she was named deputy chairman of Finlayest, the private family holding company. Ms Berlusconi was already on the Fininvest board. Page 19

Trading will resume today in the shares of Credit Foncier de France, the troubled property lender, as investors, employees and executives mull over the salvage package announced last Friday. The Caisse des Dépôts et Consignations, the state-controlled financial institution, will in the next few weeks launch a FFr2.6bn bid for Cradit Foncier at FFr70 a share.

Guardian Royal Exchange

Guardian Royal Exchange, the UK composite insurer, is to launch a new low-cost motor insurer in Germany Called Die Alternative Versicherungs-Akkiengesellschaft, it will subsidiary of Albingia Versicherungs Atkiengesellschaft, which is 86 per cent owned by GRE. Die Alternative will offer basic, low-cost motor do not require extra benefits such as towing services or extra cover on their motor policies.

Fund Management

Rome to seek buyers for Banco di Napoli

buyers for Banco di Napoli, one of the country's largest banks, by the year's end, to counter potential European Commission objections to its plans for a L2,000hm (\$1.3bm) cash injection.

privatisation process at the

into equity.
On Friday, the government

"Freed of these [risky] loans, the bank...will return to normality. Hence the decision

The new plan is similar to

by the Commission a year

strong in the south, in

Lavoro.

They and their competitors

Crédit Foncier

Wall Street may be having its problems but they do not seem to have dented the bull market for US money management firms. Morgan Stanley's \$1.1bn acquisition of the Van Kampen mutual fund business and Franklin Resources' \$800m purchase of Heine Securities have captured the headlines. But these mega-deals have been matched by a spate of smaller moves. Page 20

full-scala state aid inquiry, no bank had come forward with a otherwise have worried about doubt about the chances of a rapid and successful the continued provisions for In fact, Mr Federico Pepe, bad loans. firm pledge to convert loans brought in as chief executive last summer, has already

The UK bank, slipping into deficit, is gaining some plaudits for cost-cutting and its disposals

Investors begin to listen to NatWest's alternative message

hree and a half years after Barclays shocked British investors by making a loss, its largest rival is to follow auit. Tomorrow, National Westminster. Bank will declare a post-tax loss of about £100m (\$155m). It will recall the days of the early 1990s, when British banks had to write off large sums to compensate for imprudent lending

and expansion in the 1980s. . Yet NatWest's loss is more of an oddity than a calamity. It is caused by having to write down profits by £890m to meet accounting standards on the \$3.6bn sale of NatWest Bancorp, its US retail bank. The bank is also likely to make a provision of about £250m against the sale of UK branches and property over the next few years as it reduces its

network. Barclays' £242m loss for 1992 acted as a catalyst in the bank's renewal under Mr Martin Taylor, its chief executive. NatWest Group - as the bank now prefers to be known: hopes its loss may mark an important step in rehabilitating its image in the City. Since Mr Derek Wanless took over as its chief executive in 1992, NatWest has had to struggle to make its case appreci-

There are signs in its share price that it is getting through, particularly since it pleased analysts last autumn by disclocost cutting.

Although its number of staff

and UK branches have fallen steadily in recent years, it still has some of the legacy of a bloated network reaching back to the merger of the National Provincial and Westminster hanks in 1970. NatWest also has the unwel-

come reputation of being the most bureaucratic and slowmoving of any of the Big Four banks. While Lord Alexander, its chairman, and Mr Wanless have attempted to reform its culture and structure, it has been an enormous task. Mr Taylor had the advantage at Barclays of inheriting a bank that had been better managed over a longer period. They are now gaining some

plaudits among an investment community that formerly looked on them rather grumpily. Apart from NatWest's costanalyst estimates could add £400m a year to underlying profits, they have disposed of NatWest Bancorp, which few analysts could see any point in the bank owning in the long

Having been one of the sector's laggards, there are signs of a new-found commitment there," says Mr Peter Toeman, an analyst at ABN Amro Hoare

Since the Bankcorp sale, Nat. West has agreed in principle to

the underlying business is roughly in the shape Mr Wan-less has been seeking since taking over a sprawling set of operations. It now has retail banks in the UK and Ireland; Coutts & acquisitions is similar to that

Co, a private bank; a UK financing and leasing operation called Lombard, and a global investment bank called Nat-West Markets with a fund management arm called Gartmore. The first three are long established businesses but the ation into which NatWest is still pouring resources.

The most controversial part of its strategy is investment banking and fund management. In the past year, it has spent \$135m on a US corporate finance boutique run by Mr Bric Gleacher, £472m on Gartmore in February and \$590m on Greenwich Capital, a US government bond trading firm in June.

The strategy behind such

of other large European banks, such as Deutsche Bank and Swiss Bank Corporation. They have also tried to venture out from a domestic retail banking markets, reasoning that returns on lending to large companies are too small to justify unless they can also sell investment banking services. The difficulty for NstWest is twofold. Firstly, it is hard to justify the prices paid for Gartmore and Greenwich in the

short term. After paying goodwill, nei-ther provides a short-term return that meets NatWest's hurdle of 17.5 per cent return on equity. Only by stripping

out costs or improving returns by finding synergles will Nat-West be able to make them pass muster. The bank is fairly confident

about Gartmore, since it has with its own, lossmaking investment management arm. To make sense of Greenwich will require s more difficult process of integrating the US firm's expertise to transform its own fixed income division, rather as SBC used its own 1991 purchase of O'Connor, the

Chicago derivatives firm. Secondly, NatWest must prove that it has not swapped a relatively predictable income stream in retail banking for a more volatile one in capital

it has steadily improved Nat-West Markets by diversifying its sources of income. However, some in the City fear that by swapping Bankcorp for overall volatility of earnings Tomorrow's declaration of a

markets. The bank argues that

post-tax loss may, therefore, merely be an accounting odd ity in itself, but is a symbol of the transformation of NatWest The bank's directors are hap pier with the shape of the operations they control than at any time in tha 1990s. The harder part is to persusde everybody else to share their

John Gapper

Bass and Carlsberg merger delayed

By Roderick Oram, Consumer Industries Editor

A merger of the UK brewing interests of Bass and Carls-berg, the Danish brewer, is being delayed by complex measures designed to avoid a reference to the Monopolies and Mergers Commission, the UK

regulatory body.

The sale of Allied Domeco's half share of Carlsberg-Tetley for about £200m (\$310m), may form part of a wider deal still being studied by the companies' advisers.

Unless Bass and Carlsberg can find a away to minimise Bass's market share, Bass will have to shed brands and pubs to satisfy the UK's Office of Fair Trading and to avoid an MMC inquiry. Such is the complexity of the interlinking agreements between the three companies, an announcement could slip beyond this week's

target data. "Twe never seen so many pieces of paper," one participant said.

The simple solution of Bass buying all of Carlsberg Tetley would give Bass about 38 per cent of the UK market and trigger protracted competition anoitations and negotiations with the government, a leading analyst said. Using the Scottish & Newcastle/Courage deal as a benchmark it would have to shed more than 1,000 pubs approaching one-fifth of its estate - if the merger gave it a market share approaching 40

per cent.
The other key element of the deal is Allied's agreement to buy beer from Carlsberg-Te-tley. The agreement which expires at the end of next year generates a large chunk of the joint venture a profits because Allied pays above market price for the beer. Allied could help solve the problem by taking a books. GrandMet took a balance sheet write-down on its agreement to pay above market prices for Courage bear when Courage bought Grand-Met'a breweries.

For Allied, writing-down its Carlsberg Tetley stake, on its books at £260m, and the supply agreement, could take a £300m chunk out of its balance sheet but ultimately improve its earnings. Bass decided last year

against making an offer for fellow brewer Courage. Tha seller. Foster's Brewing Group of Australia, was demanding a bid unconditional on regulatory approval. But after long negotiations Bass judged as too great the financial risk of owning assets it might have to sell, according to a participant in the negotiations. Scottish & Nawcsstle eubsequently

the UK's largest brewer. Bass throughout this year to blow hot and cold on the mer its of pursuing Carlsberg-Tetley. Since Allied triggered negotiations by putting its stake up for sale, Bass has struggled to craft a deal that met its own demanding commercial criteria while standing a high chance of satisfying competition regulators. Allied's insistence on an unconditional deal to secure its exit from brewing proved a stumbling block. Then, "some weeks ago, Bass agreed to discuss an unconditional deal. The log

jam was broken", said a person familiar with the negotiations. Carlsberg and Bass have agreed to accept almost all the regulatory risk in a deal which will value Allied Domecq'e stake at about £200m, according to one of the parties.

Record year for bonds looms

bought Courage to deprive

By Peter John in London

17

A record year is in prospect for international bond issues after the value of bonds issued in the first six months leapt to \$350bm, up 60 per cent against the eame period in 1995, according to IFR Securities

Data_ High levels of government borrowing and corporate bond transactions have included unusually big one off deals. Heavy activity has also been seen in the international equity and syndicated loan

The principal driving forces behind the unprecedented business are low interest rates and availability of cash. Among international equities European markets fuelled by some high-profile privatisa-tions such as Railtrack in the UK and AGF in France. Tha figures were compiled

too early to include one of the year's biggest deals, a recent FFr40bn (\$7.75bn) securitisation from Crédit Lyonnais, the French bank - the largest ever transaction in the international bond market. Syndicated loans accounted

for \$525bn against \$552bn during the first half of last year. Mr David Tory, head of syndication at Merrill Lynch, said the seeds for this year's buoyant activity were sown during last year's bond market bull rup. "Last year was an excellent year for fixed income investments so all the fixed the comparative figures are income investors \$25bn against \$15bn, with with lots of cash." income investors started 1996

Moreover, this year has seen very high levels of bond redemptions. According to Euromoney's capital markets data base, about \$115hn of dollar bonds are due to mature this year, compared with \$39bn last year. And as bonds have matured, global investors have

for their cash. When you have supply [of .cash from maturing bonds] coming into the market in record volumes you have liquidity in very high levels and very high issuance," said Mr Tory.

Also, pricing has been clamped very tight because of intense competition among investment banks for business. That has kept spreads low and made issuance comparatively



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TOACT

SBC Warburg shakes up its corporate list

hen Swiss Bank Cor-poration acquired SG Warhung last year Sir David Scholey, chairman of the UK investment bank, said the two fitted together "like the clunk of a Rolls-Royce door". But the groups have been slammed together too forcefully for some of Warburg's delicate corporate finance clients.

Nearly a third of its FT-SE 100 clients have been shaken loose, an analysis has shown. in addition, it emerges that BICC, Electrocomponents, Ellis & Everard, London International Gronp, Mercury Asset Management and Moss Bros bave formally or informally dropped Warburg.

Already on the public record are defections by Laporte, Northern Electric, Sedgwick Group and Wessex Water. In one of the most damaging changes, Halifax Building Society said it would use Deutsche Morgan Grenfell to lead its huge flotation next year,

But the apparent erosiou of Warburg's corporate finance client list - the longest and strongest in the City, and the main attraction for SBC - may not be as severe as it looks ou

The most eerious sign of damage to the underlying business is the number of departures among SBC Warburg's corporate financiers, who handle client contacts. The bank retains one of the deepest teams in the City, made up of respected professionals euch as Ken Costa, Robin Budenberg. Steven Latner and Robert Gil-

However, in the merger, it lost the most senior layer of management - Sir David Scholey, Lord Cairns, the former chief executive, and Derek Higgs, chairman of the merchant banking division - and their array of personal contacts. These departures were inevitable, but SBC Warburg also lost younger dealmakers

in day-to-day contact with important clients such as Mark Seligman, Michael Tory and Philip Yates. Mark Nichols. briefly haad of corporate finance, left for health reasons. "Warburgs has been turned upside down," says the head of corporate finance at another

Some defectors from Warburg - who may have an axe to grind - say that the new corporate finance style of the bouse has put some clients off. They say the management has introduced revenue targets and strongly encouraged executives to sell products from other parts of the group, such as financing. Whatever the truth, even the perception that SBC Warburg has put a new emphasis on boosting profits, has encouraged some competitors which are not part of integrated investment banks to market the purity of their advice. Schroders is the prime beneficiary of Warburg client

defections. However, defenders of Warburg say the position is better than it appears. Their argument is, in essence, that the pre-takeover Warburg had stored up troubles for itself and that its client losses are as illusory as was its earlier huge client franchise.

The succession to Sir David and Lord Cairns, with the inevitable disruption to the corporate hierarchy and client relationships, had to be confronted whether or not Warburg remained independent.

The level below them was overcrowded and sometimes mediocre. SBC Warburg encouraged out of the door several of the executives whose departures were presented by their new employers as defec-

It was only after the acquisition by SBC that Warburg thoroughly implemented industry groups, the teams of corporate financiers specialising in a particular sector, which is the way most investment banks now organise themselves. The reorganisation contributed to the turnover of account directors so unsettling to clients, but the change should allow SBC Warburg to match the expertise of some of the specialists at US investment hanks.

The chent list as well as the way Warburg was organised, was ossified. Some clients such as Boots, listed in Crawford's Directory of City Connections as Warburg clients, had not used the bank for several years. Others, particularly smaller clients such as Electrocomponents were unprofitable. Nor did the Crawford's list reflect the increasing tendency of larger companies to obtain their advice from a range of investment banks. Just as Warburg was weaker

than it appeared in the past, so it is almost certainly stronger now than its FT-SE 100 list shows. SBC Warburg'e booming UK equities business has an estimated 15-16 per cent of marketmaking volumes, compared with 13 per cent for the two firms before they merged. And the investment bank is offering, and selling, a wider range of services to Warburg's UK client base, which was the main purpose of SBC'e acquisition. For instance, SBC's expertise with derivatives has allowed the investment bank to devise a sophisticated employee share ownership pro-gramme for one of the FT-SE

100 clients. In any case, the City's obsession with SBC Warburg's UK client losses misses the point. First, the investment banking market is becoming more international, so SBC Warburg was bound to give up ground in the UK to US investment banks. And, second, SBC acquired Warburg for £860m. Paying book value for the UK's strongest investment banking fran-chise, you can afford to drop a few clients.



COMPANIES AND FINANCE

Sir David Scholey: his departure was inevitable

Legal & Genera London Int'l Grp

Moss Bros Northern Electric

Switched to Schroders after SBC takeover of Warburg Switched to JP Morgan, with Schroders for deals in Far East Close to CS First Boston and Kleinwort

Moved after Werburg advised House of Fraser, Now with BZW Left Warburg after departure of account directors. Now particularly close to JP

SBC Warburg no longer regarded as lead hank. Close to Bill Harrison, new chief executive of BZW Taken over by Granada Switched to Deutsche Morgan Grenfell for

advice on flotation Moved to Schroders Announced switch to Schroders and JP Morgan Turnover of Warburg executives prompted

switch to DMG Lazard Brothers now sole advise Switched to Baring Brothers Moved to Schroders because of SBC Warburg conflict: SBC had advised Trafalgar House, bidder for Northern Goldman Sachs advised on bid for Midlends

Rothschild BZW was lead adviser in bid for Southwest

Water, and Rothschild defended company against National Power Warburg conflicted out of bid defence Followed Mark Seligmen from SBC Warburg to

RZW added to rester

GRE enters German car

By Motoko Rich

insurance

Guardian Royal Exchange, the composite insurance group, is to launch a low-cost motor

insurer in Germany. Die Alternative Versicherungs-Aktiengesellschaft will be a wbolly-owned subsidiary of Albingia Versicherungs-Aktleugesellschaft, which is per cent owned by GRE.

Die Alternative will offer insurance to consumers who do not require benefits such as towing services or extra cover

on motor policies. Policies will initially be sold through 150 of the 900 tied agents and some of the 1,500 brokers that sell Albingia policies, on which they receive commissions double that on

Die Alternative policies. Continuing deregulation in the German market and depressed disposable incomes have fuelled demand for low-

cost motor insurance. Mr Volker Bremkamp, European regional executive director, said: "It is essential the customers' demands for less expensive products are met. This development will allow us to offer a real alternative package of insurancee to motorists in Germany."

Albingia expects Die Alternative to generate profits hy the turn of the century.

Intria expected to take 40% stake in Costain

By Jane Martinson

the Malaysian Intria. construction company, is expected control 40 per cent of Costain, the UK construction group, after the results of a share issue are announced Costain sbarebolders

approved a £73.6m (\$114.8m) rescue package last week, of which about £41m was under-written by the Malayslan group, in a 3-for-1 deal at 50p It is not known how many

shares are left with Kharafi, the Kuwaiti construction company opposed to the deal, nor Raymond International, the Saudi Arabian group which voted in favour. Costain's refinancing plans

received a setback when Lonrho, the UK conglomerate, withdrew from the purchase of its remaining US coal operations on Wednesday. Costain is expected to be left

with net cash of about £30m and ebarebolders' funds of

Even before it has made a formal offer, Hays is talking of a hostile bid

Salvesen chief prepares for battle

By Jane Martinson

Mr Chris Masters, chief executive of Christian Salvesen, said yesterday that it was "difficult to see any clear industrial logic" in the £1bnplus takeover bid by Hayes, a rival distribution group.

Although no decision will be

made before a board meeting on Wednesday, Mr Masters said: "I can't see at this stage from the information we have that this is in the long-term interests of our sbareholders." The comments are set to increase expectations of a formal rejection of the offer following the Wednesday meet-

Mr Masters, who cut short a holiday on Friday after Hays made its approach, said thet

all Street may he having its problems but they do not seem

to have dented the bull market

for US money management

Morgan Stanley's recent

\$1.1bn acquisition of the Van

Kampen mutual fund husiness

and Franklin Resources' \$800m purchase of Heiue Securities

have captured the headlines.

But these mega-deals have been matched by a spate of

Pension & investments, a US

bi-weekly trade magazine, esti-

in the US in the first half 1996

is equivalent to 80 per cent of

the value of all last year's

The latest on to the money

merry-go-round is the Liech-

tenstein Global Trust (LGT),

the private banking and fund management group controlled

by Liechtenstein's royal fam-

ily. It is more than doubling its

assets under management, to

\$60bn, with the \$300m pur-

chase of New York's Chancel-

lor Capital Management, Citi-

corp's old investment

Chancellor changed its name

in 1988 when Citicorp sold it to

USF&G. Since theu its manag-

ers have bought themselves

ont, increased their funds

under management from \$18bn

to \$33bu, and are now selling

out after less than four years

for almost three times Citi-

Leaving aside the question of

the price, the deal looks a good

management division.

corp's exit price.

smaller moves.

tha main savings from the deal would be financial, focusing on tax efficiencies rather than any synergies between the two

During the six years of his captaincy the group had been refocused into a mainly logis-tics and specialist hire outfit, and efficiencies had already been made, he added. The benefits of closing the Edinburg based group's 60-strong head office would be small.

He particularly criticised any suggestion that Aggreko, Salvesen's specialist hire business. could be merged with Rentacrate, owned by Hays. The move "could be negative", he said, as they were totally different businesses. Mr Ronnie Frost, chairman

of Hays, still hopes to persuade

Small fund managers may not be headline stuff but

FUND

MANAGEMENT

strategic fit, Chancellor, which

has some 300 US institutional clients, is strong in domestic

US equitles and bonds, but

does not have international clout. LGT, by contrast, owns

GT, a UK fund manager, which

has nearly 100 retail funds and

a strong global brand name. but has never managed to

crack the US institutional mar-

ket, in terms of employees,

LGT, which was founded in

1969, has 1,200, and Chancellor which was founded in the early

1950s, has 200. However, Chan-

cellor has more funds under

Chancellor'e US expertise to

raise its profile in the domestic

US mutual fund industry while

Chancellor will exploit GT's

global coverage to service the increasing appetite of US insti-

tutions for international equi-

ties. It is being billed as one

merger whose success will be

judged by the scope for raising

revenues rather than its crude

GT, which has suffered from

the combination of the collapse

in the popularity of emerging

market funds and margin pres-

sures in the UK unit trust mar-

ket. After a beady growth rate

cost-cutting potential. Certainly, the acquisition should breathe fresh life into

The idea is that GT will tap

they are still making news, writes William Hall

LGT on the money-go-round

the Christian Salvesen board to recommend an offer. However, the distribution, personnel and parcels group will con-sider a hostile bid if no recommendation is forthcoming on Wednesday.

No meetings are tabled between the two sides before Wednesday. Much of Mr Frost's chance of success nges on the decision of the Salvesen family, several hundred members of which own 38 per cent of the shares. Robin and Andrew Salvesen are board members. Mr Frost has said that the

distribution business provides the primary rationale for the bid chiefly because of the geographical fit between the two in European markets. Hays would use Aggreko, Salvesen's

in the early 1990s, LGT'e profits, which include a coutribu-

tion from a private bank in

Liechtenstein, fell sharply last

year to SFr129m (\$103m). LGT

said last week that it was not

expecting any pick-up in the

current year. LGT's shares underper-

formed the Swiss market last year and have fallen by 15 per cent this year. If it did not

have its royal protection it

might well have attracted the attention of the corporate pred-

ators by now. Indeed, there was a time when LGT seemed

to be toying with the idea of selling GT and getting out of

discretionary fund manage-

mined to have another go at

breaking into the domestic US

In late 1987. Bank in Liech-

tenstein, as the group was then

called, bought Trainer, Wor-

tham, a New York money man-

ager. Less than three years

later Trainer, Wortham had

been sold back to its manage-

ment because it overlapped

with GT's "strong, developing US business". Bank in Liech-

tenstein bought GT in 1989 and

had high hopes for its breaking into the US institutional

money management hosiness

Now LGT is gambling on

Chancellor giving It the elusive

critical mass in the US. At

least it has had the sense to tie

down Chancellor's manage-

ment team, even if it puts a

fund management business.

However, its decision to douhie its fund management pres-ence suggests that it is deterspecialist hire business, to strengthen the industrial support side of its commercial division, but it has not said that it would be merged with any other part of the business. Salvesen's food processing division - representing about 10 per cent of group sales - is the only one likely to be sold

following a merger. Shares in Salvesen jumped 72p in two days after Hays revealed its intentions, although no formal offer had been made. They closed at 361p on Friday. Hays is expected to offer between 350p and 390p a share, valuing the group at up

to £1.2bu.
A successful takeover would catapult Hays into the FTSE-100 with a market capitalisa tion of about \$2.7bn

Prioce Hans-Adam II: bis

few noses out of joint at GT. Chancellor's chief executive

Mr Warren Shaw, who started

as an atrline analyst with Citi-bank in 1973, has been made chief investment officer of the

combined operations; Ms

Penny Zuckerwise, who has

worked with Shaw for 15 years,

takes over as chief operating

officer, and Ms Nina Lesavoy.

will head the North American

institutional clieut and busi-

ness development teams of the

another Chancellor executive

family controls the trust

ABN Amro plans Asia branch network

By Gordon Cramb

ABN Amro, the Netherlands largest bank, is to build a branch network in Asia in an musual move by a western institution into the market for retail deposits in the

It forms the main part of an Asian expansion plan on which the bank is to spend Fi 1bn (\$601m) by 2000. The investment represents a dou-bling of its commitments to the region, in which it has been active primarily in trade

A network of 30 branche will be built in Thailand. Taiwan, Malaysia, Indonesia, India and Pakistan – countries where ABN Amro believes it can best compete with local

groups.
Mr Michael Drabbe, the bank's director for foreign operations, said in a Dutch press interview at the week-end that consumers there usually faced "long queues, piles of forms, endless waiting".

ABN Amro, operating under its own name, will offer mortgages and other credit facili-ties targeting the urban mid-die class. It is seeking to mirror its success in sectors such as car finance where it is strong in markets such as Bra-

Citicorp of the US is among the few western groups in recent years to have built a large consumer banking network in Asia. Markets such as Malaysia are also served by large regional institutions like Hongkong Bank.

ING, the main Dutch rival to ABN Amro, has developed expertise in emerging econo-mies - this month it took control of Bank Slaski in Poland.

One senior Amsterdam banker said yesterday: "For ING it makes sense to-have retail operations in some emerging markets. But ABN Amro does not have a hig insurance subsidiary, so it would be focused just on banking. Its name will not be known to the public, and it seems a huge risk."

ABN Amro says the move reflects its ambition to offer a full range of banking activities across the world. Mr Drabbe told Het Fluancieele Dagblad, a business daily, that in the region ABN Amro bad "not grown at the speed with which Asia has grown". Asia brings in only some 6

per cent of group profits. The investment, which will take the number of Asia staff to 8,000 from 2,900, is tutended to uble this contribution. The bank has chosen organic

growth in Asia because it egards acquisitions there as difficult to make.

It has established a regional centre in Singapore but does

not intend to offer retail services on the island. Along with those of Japan, Hong Kong and South Korea, it regards the Singapore consumer market as well enough served.

NEWS DIGEST

Deutsche Bank looks to restructure

Deutsche Bank, Germany's largest bank, wants to "Europeanise" its industrial boldings and reduce its large stakes in domestic companies, said Mr Hilmar Kopper, chairman. But he insisted in a magazine interview published today that the bank could not afford to cut back significantly. on its more profitable industrial holdings because it would mean paying a 60 per cent capital gains tax on profits. "It is unthinkable that we should hand over 60 per cent of

the profits from share price gains to the state and only 40 per cent to our shareholders," Mr Kopper told Der Spiegel, the weekly news magazine. He added that the German government should introduce a more flexible tax law, a view long argued by the bank, instead, depending on the holding. Deutsche would engage in a two-pronged strategy aimed at reducing and restructuring the stakes at home while seeking to "Europeanise, possibly even globalise our investments".

"We don't just want to reduce our [domestic] stakes but restructure them," said Mr Kopper. He ruled out earlier suggestions by Mr Jürgen Krumnow, the bank's finance director, that Deutsche would consider reducing its stake in Daimler-Benz, the industrial group, to below 25 per cent. "This would mean selling it to, for example, Toyota [the Japanese

motor group]. I can only laugh at that," he added. Mr Kopper's remarks follow a series of financial scandals in companies where Deutsche holds large stakes and where Mr Kopper is a member of the supervisory board. They include Metallgesellschaft, the industrial and trading company that nearly collapsed in 1994, and Klöckner-Rumboldt-Deutz, the German engineering group whose management last month failed to report hidden losses.

Judy Dempsey, Bo

Porsche sees sales improvement

Porsche, the German sports car maker, said its drive back into Porsche, the German sports car maker, sain its dive that the profits was picking up speed following a surge in demand and record production of its 911 model. According to preliminary figures for the year ending July 31, the Stuttgart-based group expects turnover to rise about 8 per cent to DM2.8bn (\$1.89bn) on a year ago. It declined to specify its profits but said operating profits had been stronger in the second half than in the first, when the group reported operating profits of DM10.3m. Final results will be published in early December

The improvement in Porsche's fortunes has been helped by record production of the 911 model. Porsche said it had produced 20,100 911s this year, up from 17,293 a year earlier. However, rising sales were being driven by export markets, especially the US where Porsche has sold about 7,000 of its 911 model. In Germany, where Porsche sold 5,700 9119 - 2 per cent ess than a year earlier - sales have been slowed by a tax on office cars introduced this year. Michael Lindemann. Bonn

Statoil hurt by stronger dollar

Statoil, the Norwegian state oil company, reported improved performance from its oil, gas and refining operations in the first half. Operating profits rose from NKr7.6bn to NKr8.2bn (\$1.29bn). Higher oil prices, good regularity of ofishore production, increased output and better results from refining activities offset a substantially weaker showing from its etrochemicals division. .

The company blamed a slump in pre-tax profits from NKr9.1hm to NKr7.6hm on higher long-term debt values caused by the strengthening of the US dollar against the krone. Borealis, its petrochemicals joint venture with Neste of Finland, suffered a collapse in operating profits from NKr973m to a loss of NKr19m. Statoil said a steep fall in margins had bottomed out at the end of 1995, and a recovery was noted in the first six months.

- Turnover rose to NKr49.5bn, against NKr44.4bn, reflecting production start ups in new fields, operations at foreign subsidiaries and increased purchases and sales of crude oil. Oil and gas operations reported an increase in operating profits Greg Mcloor, Stockholm from NKr6.8bn to NKr7.6bn.

Neste loses on crude oil trades

Neste, Finland's biggest industrial group by turnover, says it has suffered a FM285m (\$68.4m) loss from crude oil trading so far this year. Mr Veli-Matti Ropponen, chief financial officer, said that most of the losses stemmed from long-term contracts concluded several years ago which were linked to its former offshore activities in the UK North Sea sector. He said Neste hedged its crude oil commitments against price risks but had incurred losses recently - particularly in June and July - when unexpectedly high oil prices exceeded the upper bedging

Crude oil trading accounts for about 40 per cent of Neste's sales. Mr Ropponen stressed it was no longer group policy to conclude long-term trading contracts. The majority of such contracts had already matured, and the rest would be completed by mid-1996. The group said the FM285m loss included a provision for an anticipated risk of loss for the rest

One-off charges put Molson in the red

By Robert Gibbens in Montreal

Molson, the big Canadian brewer and retailer, recorded a C\$805.5m (US\$222.4m) loss after write-offs and restructuring charges for the year ended March 31.

The figure included accounting losses on the sale of most of its Diversey special chemi-cals business for about C\$1hn, the write-down of property val-ues, and reorganisation costs for the brewing and hardware

Operating profit was C\$85.3m. down 14 per cent from a year earlier, and most divisions performed poorly except sports and entertain-

The final loss for the year equalled C\$5.27 a share on rev-

combined group. Chancellor and GT both have good names in their respective fields. But Chancellor is still only the 15th largest independent manager of US tax-exempt funds, and GT Global is seventh in the league of global/ International mutual fund managers. If LGT is to become a major player in the global fund management business, it may well have to dip yet deeper into Liechtenstein's royal coffers before it is finenues of C\$1.44bn. In fiscal 1995, net profit was C\$86.9m, or C\$1.49, on a similar basis on revenues of C\$1.51bn.

Molson plans to sell its retailing interests and concen-

trate on its brewing operation internationally and on rebuilding profitability at the sports and entartainments division. The market had expected Molson to take heavy special charges in fiscal

Mr Marshall Cohen, president, is being replaced by Mr Norman Seagram, the well-known brewing executive. Molson controlled by the Molson family, owns 40 per cent of Molson Resurrices with cent of Molson Breweries with 40 per cent held by Foster's of Australia and 20 per cent by Miller of the US.

Sapporo Breweries up By Emiko Terazono in Tokyo

Sapporo Breweries, tha Japanese beer manufacturer, reported firm half-year results due to strong exports to North America and Asia and an improved financial balance.

For the first six months to June, non-consolidated recurring profits - before tax and extraordinary items - surged 49.5 per cent to Y9.5hm (\$87m) while sales rose 3 per cent to Y289.4hn due to the popularity of its premium beer and its beer-like sparkling beverage. After-tax profits jumped 106.6 per cent to Y4.3bn. Beer sales accounted for

Y246bn of overall revenues, up 7 per cent, while sales of

imported beer climbed 145 per cent. A decrease in appraisal losses on securities holdings also helped earnings at tha recurring level.

Sapporo expects beer

demand to remain strong and sees full year unconsolidated sales rising 3.2 per cent to Y640bn on a 25.8 per cent increase in recurring profits to Y7bn. The brewer will pay a special dividend of Y3 per share to commemorate its 120th anniversary, lifting its annual dividend to Y10 per

 Asahi Breweries plans to launch production and distri-bation of its "dry" beer Asahi Super Dry in China by the sec-

Atari Corporation 5 1/4% Couvertible Subordinated Deboutures Due April 29, 2002 CUSIP No. 046515 AAO

NOTICE TO HOLDERS OF

Pursuant to the Amended Pursuant to the Amendeu and Restated Agreement and Plan of Reorganization, dated as of April 8, 1996 (the "Reorganization Agreement") between Atani Corporation, a Nevada cor-poration ("Atani"), and JT Storage, Inc., a Delaware corpora-tion ("TIS"), Atari will be marged with and into JTS (the "Merger") on or about July 30, 1996 upon approval of the respective stock-holders of Atari and JTS at meetholders of Atan 2011 113 at therrings to be held on July 30, 1996.
Pursuant to the Reorganization
Agreement, each outstanding
share of Atan Common Stock. \$0.01 parvalue, will be converted into one share of JTS Common Stock, \$0.00001 par value. Upon consummation of the Upon consummation or the Merger, JTS will enter into a supplemental indenture (the "Supplemental Indenture") with Bankers Trust Company (the Trustee") under and pursuant to the terms of the Indenture gov-erning the Debentures (the "In-denture") to provide that ITS will

assume all of the covenants, agreements and obligations of Alari under the Indenture. There will be no change to the Conver-sion Price under the Indenture as a result of the Merger.

This Notice is being sent to you pursuant to Section 10.14 of the Indenture. NO ACTION IS NECESSARY OF RESULTS NECESSARY OF REQUIRED ON YOUR PART WITH RE-SPECT TO THE MERGER OR THE SUPPLEMENTAL IN-

DENTURE. If you have any questions regarding this Notice, please contact Sam Tramiel at Atari, telephone (408) 328-0900. ATARI CORPORATION By: Bankers Trust Company

Dated: July 22, 1996

By David Owen in Paris

Rhône-Poulenc, the French

chemicale and drugs group,

has unveiled a 39 per cent increase in second-quarter net

income, spurred by a strong performance by its health and agricultural divisions.

The result found favour with

the market and the shares

ended the wesk in Paris at

FFr125.90, a gain of FFr5.10 in two days. The positive perfor-

mance was foreshadowed last

Thursday by a sharp rise in profits at Rhône-Poulenc

Rorer, the company's 68 per cent-owned US drugs arm.

FFr559m to FFr777m (\$154.6m).

was reflected in a 36.4 per cent

improvement in earnings per

share.. These climbed from FFrL77 to FFr2.41. The result

was achieved on sales ahead

marginally from FFr21 91bn to

The company's disappointing

first quarter meant the advance in first-half net income was less impressive at

9.2 per cent, or from FFr1.29bn to FFr1.41bn. Earnings per share, at FFr4.38 against FFr4.09, were in line with ana-

lysts' expectations. First-half

turnover declined from

Mr Silvio Berlusconi'e eldest

daughter Marina, 29, was yes-terday confirmed as heir appar-

ent to the former Italian pre-

mier's media, finance, property and retail empire when she

was named deputy chairman of

Fininvest, the private family

holding company. Mr Fedels Confalonieri, who

stepped down as chairman of

Fininvest, said Ms Berlusconi's

presence was "testimony to the

dynamic and forward-looking role of the family owners"

within the group.

Ms Berlusconi and her

younger brother Pier Silvio -

both children from Mr Berlus-

coni's first marriage - were

already on the Fininvest board.

The group said it had

slimmed down the board to fit

By Andrew Hill in Milan

FF122.15bn.

The rise in net income, from

eutsche Bank

woks to restructure

were the seas the improvement

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Share to

If by Mail

Bankers Trust Luxembourg S.A. P.O. Box 807 ard Franklin D Roossvet L-2450 Lune

Benkers Trust Company Corporate Trust and Agency Group Securities Payment Unit 123 Washington Street, First Floor New York, New York 10008

Corporate Trust Department United States Trust Company of New York 114 West 47th Street New York, New York 10036 United States of America

Bankers Trust Luxembourg S.A. P.O. Box 807

14 Bouleverd Franklin D Roosevelt L-2450 Luxembourg

1 Appoid Street Broedgate London EC2A 2HE England

Chemical Bank Asahi Yokel Building 8-1, 2-chome Clemec Chiyoda-ku, Tokyo Japan

Banque Worms Paris 75427 France

If by Hand

Corporate Trust Department United States Trust Company of New York 114 West 47th Street New York, New York 10038 United States of America Banque Bruxeles Lambert Avenue Marrix 24 B-150 Brussels Belgium

Bankers Trust Luxembourg S.A. 14 Boulevard Franklin D Roosev L-2450 Luxembourg

Bankers Trust Company 1 Appoid Street Broadgate London EC2A 2HE Chemical Bank Asahi Tokei Building 6-1, 2-cheme Otema Chiyode-ku, Tokyo

Banque Worms

Notice of Redemption To the Holders of

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Securities Payment Unit
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United States of America

Bankers Trust Compe 1 Appoid Street

To inquire call Bankers Trust Company in New York on (800) 735-7777, Bankers Trust Company in London on 44-171-982-2500 or Bankers Trust Lucembourg S.A. in Lucembourg on 352-460-241.

The method of delivery is at the option and risk of the holder. If delivered by mail, certified or registered meti is recommended for your protection. When surrendering Debentures for redemption, holders that are U.S. persons should provide their Social Security Number or Taxpayer Identification Number (Ma Form W-9) to avoid the withholding of 31% of the principal to be redemed as required by the United States Internal Revenue Code. A Holder of registered Debentures (or portions thereof) that is not a U.S. person is also subject to 31% withholding upon the sumendor to the U.S. paying agent of such registered Debentures for redemption, unless such holder cardiae, under penalties of perjury, that it is not a U.S. person and provides its name and address. Form W-8 is provided for this purpose.

On July 10, 1996, pursuant to the Agreement and Plan or Merger, disted as of November 7, 1995, among RCPI Holdings Inc., RCPI Merger for, the Registration of the PCPI common stock (other than the shares of RCPI Common Stock described in the first parentherical clause of Section 2.1(a) of the Merger Agreement) has been converted into the right to receive a each psymment equal to eight delivers (\$8.00). Pursuant to the Second Supplemental Indenture, the holder of each Debenture has the sight, after the Effective Time of the RCPI Merger and only at such times as may be provided by the terms and conditions of the Indenture and such Debenture and such Debenture. At the Redemption Date, each \$1,000 principal amount of Debentures will be convertible into \$7.99 shares of Common Stock into which such Debentures and such Debentures. At the Redemption Date, each \$1,000 principal amount of Debentures will be convertible into \$7.99 shares of Common Stock. The right to convert the Debentures into \$483.92.

The right to convert the Debentures into \$483.92 pe

Banque Bruxeles Lambert Avenue Marrix 24 B-150 Brussels Belgium

Bankers Trust Company

Dated this 29th day of

Assessment timefor Crédit Foncier

COMPANIESAND FINANCE

Rhône-Poulenc posts 39% rise

RHÔNE-POULEN

Dividend vield

Current stress price

SHARE PRICE

FFr43.5bn to FFr43.28bn.

In the first half, the gr

said it completed more th

FFr5bn in disposals of n strategic assets, with me than FFr2bn of this due to

included in third-quar

in with Fininvest's new rols

a holding company for sta

in the main quoted sub-iaries: Mediaset, the recen-floated media company; M-

olamm, the financial servs

business; Mondadori, the

lisher; and Standa, the retail.
Fininvest denied the boroom reshuffle was also aid.

at distancing some direct

who are under judicial invi-

gation as part of the widersing probe by Milan's anti-ruption magistrates.

remains chairman of Media, was replaced by Mr Aldo Il-omo, a Milan lawyer, while

Aldo Livolsi, Mediaset cl

executive, became sole ch

executiva of Fininvest.

Ennio Doris, chief executive

Mediolanum, is the fifth 1

invest director.

Mr Confalonieri,

Fininvest unveils reshaped board

relative to the SBF 120 index

"3 months to June 30 1998

The French government's rescue ackage is unlikely to please everyone

rading will resume today in the shares of Credit Foncier de France, the troubled property lender, as investors, employees and executives mull over the implications of the rescue package announced last Fri-

day. The Caisse des Dépôts et Consignations, the state-controlled financial institution, will in the next few weeks launch a FFr2.6bn (\$617m) takeover bid for Crédit Foncier at FFr70 a share.

If it wins two-thirds acceptance - enough to achieve voting control - the bank's branch network, some staff and on-going low-income loans business will be transferred to Crédit Immobilier de France group, a rival co-operative property bank. The rest of its ets will be placed in a new institution, the Caisse Nationale du Crédit Foncier, for eventual winding down or sale, with its loans underwritten by a state guarantee.

The Caisse des Dépôts which was concerned at the potentially damaging effect on its profits, balance sheet and credit rating if it acquired Crédit Foncier - fought hard to keep its distance. As a result, it was keen to stress on Friday that it would act simply as an intermediary for the state.

in other words, the French government is effectively launching s form of voluntary nationalisation of Crédit Foncier, although the degree of choice is limited. As Mr Jean Arthuis, economics and finance minister, put it on Fri-

By Tom Burns in Madrid

of Pta320bn.



Jean Arthuis: denies that thrench taxpayer will foot the bill

day: "I have difficulty in inining" that investors we prefer to retain their sha until the time at which bank is finally liquidated. In view of the sharp drop the share value over the few months, to FFrs0.20 wh the quotation was suspend last Thursday, the gov ment's offer will no do prove sufficient to tempt my

of Credit Foncier's 600 shareholders - mostly indiuals who considered the investment a secure, long in placement. Ms Colette Neuville, heaf Adam, the association for a defence of minority shareh-

ers, helped mobilise investors into blocking approval at the AGM in June for a proposal to all but wipe out their share capital in order to absorb losses of FFr10.8bn for 1995

after provisions of FFr13.6bp. This is a better offer than we would have got if we had not protested, she says. But she remains reluctant to judge whether it is adequate. She stresses that only last autumn, independent advisers placed a value of more than FFr300 a share on the bank.

Spanish construction groups in alliance

She wants to see the details of the takeover offer, and notably how the figure of FFr70 a

lier will be paying for the parts of Crédit Foncier it acquires. Equally, there has been no indication from Mr Arthuis about how he can possibly fulfil his claim last Friday that

making an assessment. So far, there is little information, such

as how much Crédit Immobi-

even with the disposals, to strengthen the balance sheet

aufficiently. First-half net

interest expenses climbed more than 37 per cent to FFr1.14hn,

against FFr629m in the first six

Analysts added that the results showed the group still

had much work to do in its

chemicals division, its second-

largest in terms of sales. This made first-half operating

incoms of FFr627m, against

FFr504m in 1995, after adjust-

ing for recent disposals.
"Their chemicals business is

too disparate," said one ana-

lyst. The results now are the

ones you would have expected

Fibres and polymers suffered

a sharp downturn in first-half operating income, from FFr462m to FFr251m, due to

very unfavourable market

But agriculture - up from

FFr1.01bn to FFr1.15bn - and health - from FFr1.78bn to

FFr2hn - both showed strong advances. The company said

its pharmaceuticals business

began to benefit in the second

quarter from synergies linked to the £1.5on (\$2.79bn) acquisition of the UK's Fisons in Octo-

aiming to return Standa to break-even by the end of 1997.

Operating results slipped by 45 per cent in 1995 to L378.5bn because of the unsatisfactory

performance of Standa, on

turnover of L11,035bn, against

The reshuffle of sharehold-

ings at Telepiù, the private Italian pay-television company, was completed last week when

Kirch, the German media

group, sold part of its holding

to Nethold, controlled by Johann Rupert of South Africa.

The sale followed Kirch's

purchase earlier in the month

of a 23.4 per cent stake from

Mr Repato Della Valle, an Ital-

ian businessman. Nethold and

Kirch now have equal stakes of

45 per cent in the company and

Fininyest owns the remaining

L11,405bn in 1994.

to see in a recession."

conditions in polyester".

results. In January, it announced plans to make dis-

posals worth FFr10bn over two

years in a drive to reduce debt.

Analysts said they remained

Fininvest also announced a

net group profit for 1995 of

L425.2bn (\$278.5m), against a

loss of L77.9bn in 1994. The 1995 result was boosted by extraordinary gains of L1,138bn from the first stage of

the partial sale of Mediaset,

and L528bn from the sale of the

commercial and property activ-

ities of Euromercato, the

Fininvest's tax charge also

increased sharply to L1,057bn,

against L170bn in 1994, because

of the extraordinary profits.

The group confirmed that

the recent flotations of Medi-

aset - which reduced Fin-

invest's stake to just over 50

per cent - and of Mediolanum would leave the company with

no debt at the end of this year,

compared with L1,984bn at the

end of 1995. Fininvest is also

hypermarket business.

concerned that the group was

not generating enough cash,

the French taxpayer will not ultimately foot the cost of the takeover. The details of the structure and financing of the "etablissement publique", set up to control the Caisse Nationale du Crédit Foncier, will be eagerly awaited by analysts.

There are questions about whether the colution offered was really necessary. Some sources close to the bank suggest that a US buyer was still seriously interested in become ing a partner, but the French government preferred to break the negotiations and intervene to find a rapid resolution.

eanwhile, former and eanwhile, former and current executives face the prospect of possible penal actions. Mr Arthris said the public prosecutor was carrying out investi-gations in relation to the bank's management - though few commentators expect these

to lead to any action. The greatest uncertainty remains for Crédit Foncier's staff. The CGT union has denounced the plan as "the worst possible". Some 900 net of its 3,400 jobs were already set to be cut by the end of next year. Now that process is likely to be rapidly accelerated.

Andrew Jack

year attributable net earnings by 12.2 per cent to Ptast.7bn

debt over the period had been lowered by 9.7 per cent to

Pta60bn, generating costs were down 10.1 per cent, due to heavy rainfall and a sharp

increase in hydroelectric supply, and demand had increased by 21 per cent.

The company said average

(\$647.6m).

GENERAL MEETINGS OF BONDHOLDERS

Notice of Meeting

Holders of the bonds listed below, issued by Crédit local de France,

Financial Agent Sogenal

First 300,000,000 4.50% Optional Bonds on the CAC 40 Index

* FRF 2,000,000,000 9 7/8% Sab. 1991-may 2001

- ran - 4004,000,000 P //Sh 8ph 1971-day,2001 (Sharman cade 14453, ESM cade X5 00 30197003) P FET 2,000,000,000 Zaro ecopati fan. (992-ba. 200/ (Shardan cade 14774, SSN cade X5 00 33327129) P FET 530,000,000 CAC 40 Inder-linical Zaro compon

Sab., 1972-4ab. 2000 (Migurina code: 14754, ISSN code; XS 00 35744698)

July. 1991-July. 1999 (Sicorium cada 14468, ISBN code XS 32X27784)

FRANCE

CREDIT

LOCALde

Credit Lyomais Luxembourg FRJ 3,000,000,000 9 1/4% 1980-dec. 1997 (See and 14460, PON sale XS on 15000474)

(Slower out: 14497, ERI out: XS 00 25008470) Fig 1,500,000,000 3,25% err, 1551-err, 1554 (Sicrem code 14710, ESIN code XX 00 XX224407 PRS 300,000,000 4 1/2% mpc, 1992-mpc, 2002

(Morana anda 14907, 1500 anda 15 00 37217600) FIG 700,000,000 reverse Sanner upc. (997-upr. 201 (Morana anda 14957, 1500 anda 15 80 42006675) FMF 2,800,000,000 7% 1992-uny 2003 to code 14965, 1996 code XS 00 43490023)

(Manton ands 14905, 1896 ands 35 00 45480025) FRS 3,000,000,000 6 L/9% 1973-ups. 2005 (Manton ands 19929, 1896 ands 35 00 440835-53) ECH 150,000,000 6 L/9% ups. 1994-ups.2007 (Manton ands 19006, 1896 ands 35 0049632775) USB 100,000,000 Nouting East 1990 are. 1997 (Martin and 25 00 468000 East 1990 are. 1997)

Financial Agent Banque Paribas Luxembo

(Ricasem code 19922, 332 code 35 00 4943457)

REF 759,000,000 7 3/495 may ap mpt, 1994-ups, 2004

(Ricasem code 19828, 1534 code 35 00 52907756)

BCSI 1,000,000,000 Zem cospus occ. 1991-occ. 2001

(Ricasem code 14713, 1584 code 35 00 24032547)

BCSI 900,000,000 8 1/255 jm. 1997

(Ricasem code 14749, 1584 code 35 00 35949454)

GRP 100,000,000 8,2355 mg. 1994-dec. 1999

(KRI 100,000,000 8,2355 mg. 1994-dec. 1999

OSDI code XS 00 41601260)

CAD \$50,000,000 7 3/9% 1992-6-c. 1997

(200) code XS 00 (2010207) 130 150,000,000 Cellural Healing Res Sale, 1993-4sh. 2003

FRS 4.500,000,000 & 7/6% 1992-jum; 2000. (Renatur code 14772, ISB) code XS 00 37045601) Fits 1,500,000,000 S 3/4% 1975-mg, 1976 (Renorm code 19922, ISBN code XS 00 45434457)

(MINI code 35 DE 52123009) MIN 250,000,000 # 7/8% est. 1989-est. 1999

FRS 580,000,000 8,576 apr. 1992-may 2000 Pentable Rands (Startine code 14744, 1886 code 35 80 54003046) FRS 300,000,800 CAC 46 Indus-Billed apr. 1992-apr. 1997 (Startine code 14741, 1888 code 35 00 54408047)

(Sincem oats 1474), 338 cods 35 00 35489997 PKS 508,000,000 reverss Basser der, 1972-der. 1994, (Sincem oats 14935, 339 and 35 00 4002,1414) PKF 750,000,000 reverss Basser der, 1973-der, 2000 (Sincem oats 14972, 1581 oats 35 00 47570954) PKF 500,000,000 reverss Basser der, 1973-der, 2000 (Sincem oats 19743, 3501 oats 35 00 47570972) PKF 750,000,000 CAC 40 Indus-Balant 5.33% der 1602,1401 1967

dec. 1993-dec. 1997 (Roman code 19944, ISM code XS 90 47494272) Fits 2,000,000,000 6.575% per. 1995-eet. 2000 (Sleavem code 1988), ISM code XS 90 4420709) (Siconom code 19883, ISBN code XS 00 6020) ISBN 250,000,000 Serbodiented Floring Rate

Financial Agent Bankers Trust Company, London Fig. (,000,000,000 4% with tall wagens agr. 1993 agr., 2003

(Roman code for Rends) : 14970 t for Westing 1 21774, ends for Rends with Warrage XS 00 42842945, Stunde: XS 00 42843985, Warrage XS 00 42843919) ECH 300,000,000 6% samt 1996 CAD 200,000,000 7 7/9% feb. 1993-mg. 1998 (code 150) 35 00 41921 767)

(ands Maryana 14947 (Reserve Mestyn) and 550E (Regi Norse), code ISBE XS OD 4149905B (Bearw Meses) and

Financial Agent BNP Luxembourg

FIGF 4,000,000,000 Zuro enapen jane 1972-june 2007 (Skreen code 14781, 1581 code XS 00 38002027)

FRY 1,500,000,000 Zero compan age, 1993-age, 2003 (Messam orde 14764, 2500 code XS 00 42074361)

Financial Agent MGT, London TRY 1,000,000,000 9 3/4% &A. 1991-8A. 1997 with tingun udurumust epika (Skovan orde 1445), ISBI orde XS 00 29533402) ISBI 100,000,000 Sebertinand Collect Heading Rate a (ISBN code XS 00 42932748)

Financial Agent
The First National Bank of Chicago, London FRU 1,000,600,000 7 1/4% june 1994-ect. 2003 (Skurtus code 19918, 1986 code 25 00 50457474)

Financial Agent Kredierbank S.A. Luxembo

FRE 2.000,000,000 6% ---. 2001 ram 19948, ISBN code XS 00 449004213 Financial Agent The Chase Manhattau Bank, N.A.

CAD 125,000,000,000 Suberdiested Collined Floating Re Mates Styt. 1992-yept. 2002 (15th) code 35 00 395075 (1)

are invited to accend the General Meetings to be held on Wednesday August 14, 1996 at Crédit Local de France, 7 - 11 qual André Citroën 75015 Paris, France, at 2:00 p.m. in accordance with article 308, of the French inst of July 24, 1966, the agusta of the meeting will be as follows: - Bourd of Directors' report on Crédic Local de France's project to transfer all of its assets and Rabilides to its subsidiary Local Finance.

- Powers.

Holders of registered bonds must be listed in the Company's registers at least five days before the date of the General Meeting in order to attend or be represented at the Meeting.

Holders of bearer bonds must obtain a certificate attenting that their securides are held in a blocked account from the bank, stock broker or institute managing their account at least five days before the date of the General Meeting. Proxy forms will be sent to bondholders upon request from the Financial Agent in charge of each bond lesse. in the very Biely event that quorum requirements are not met, the General Meeting will be reconvened on Thursday August 29, 1996 in the same place and at the same time as listed above.

The Board of Directors

Publication Agent

CREDIT LYONNAIS

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activities to a jointly-owned company that will be created before the end of the Analysts said the new company would benefit from Dragados's international experience, particularly in Latin America, and from FCC's cash injection which will make up

on co-operation outside Spain.

The two companies will

transfer their international

for its smaller internation Madrid's wealthy Koplowitz ment-owned, to raise its half business. FCC, which has diversit

Spain's two biggest construction companies. Fomento de into cement, real estate, wh treatment and urban servi Construcciones y Contratas reported sales of Pta419 is last year, of which Pta2is were outside Spain; and considered net profits of Pta12. (FCC) and Dragados y Construcciones, have agreed on a strategic alliance which will create Europe's fifth-largest contractor group with sales of Pta850bn (\$6.7bn) and equity Dragados, which is a pure tracting company, posted 5 sales of Pta436.1bn. Pta60a abroad, and profits of Ptal. The deal will focus initially

The alliance will a cemented by share purchas between the two compas and an exchange of direct Dragados will pay betwo Pta5.5bn and Pta5.75bn for per cent of FCC. while P will pay between Pta6bn h Pta7bn for 6 per cent of Dr. dos. The chairmen of the company will join the board

the other.
FCC, which is controlled

together on big infrastructure and environmental projects in Spann. The likelihood is that Dragados and FCC will now be involved in the build up of toll motorways planned by the Spanish government, as well as

family, bought its Dragados

stake from the company's dom-

inant shareholder, the banking

group Banco Central Hispano

(BCH). The move lowered

BCH's Dragados stake from 24

The two companies said they

would also look at working

per cent to 18 per cent.

• Reduced debt, lowered cost and increased demand allowed Endesa, Spain's dominant elec-tricity generator and distributor which is 66 per cent govern- holder.

The generator, which is a candidate for further privatisation after the summer, is in the midst of an ambitious diversification strategy. Over the past six months it has invested

Cepsa, the second-ranked energy company, and Pta3.5bn in a capital increase at Airtel, the mobile telephone company where is a significant share-

in the construction of a high-speed rail link between Ptal8.6bm to buy 5.6 per cent of Madrid and Barcelona. Capsa, the second-ranked

Global Investor / Peter Martin

The Nifty Fifty ride again

arlier this summer. True, it had established what index of 50 big American com-Xerox's shares cama appeared at the time an panies that had been doing close to their historical high. That might seem a rather mundane fact - after all, to May and June records were being set daily by many of America's best companies. But, adjusted for stock splits. Xerox's shares last reached these stratospheric levels in June 1972; and the company's subsequent slide from grace has gone down in the annals of market history. In the event Xerox fell back at the last moment, the summit unclimbed. The quarter-century-old record still stands. But there is a strong link between the two peaks in the Xerox chart and the two bull markets which gave them birth.

Xerox's striking performance partly due to its own merits.

unchallengeable lead in plainpaper photocopying. But that was only half the story. Just as important was Xerox's mem-bership of the Nifty Fifty, a loosely defined group of big, glamour stocks that managed to rise to new highs even while the rest of the 1960s bull market collapsed around their

Now take a look at the chart alongside. It shows a snapshot, as of the middle of last week, of a group of shares sometimes called the "New Nifty Fifty". Its official name is the Morgan Stanley Multinational index, and it is the brainchild of Mr Thomas McManus, who analyses portfolio strategy from the investment bank's head office to New York, Last year, he put together an ad-hoc

tyremaker is expected tomor-

particularly well in the preceding months. They turned out to be pretty much your everyday hlue-chip: Boeing, AT&T, General Electric, Coca-Cola, IBM, Intel, Merck, Microsoft, Oracle, Procter & Gamble - and, of course, Xerox. You can guess the sort of companies that

made up the rest. The higgest difference between the index and the wider universe of big American companies, the Standard & Poor's 500, is that Mr McMahon's group was substantially more exposed to the international market place. As the name implied, the Multinational index was overweight in internationally traded products like foods, drugs and electronics, and underweight in domestic sectors as airlines, retail,

utilities, banks and insurance, Because of their heavy international exposure, the Multinationals had done particularly well when the dollar was weak; indeed, looking back over the past quarter century, Mr McMahon found only one period (the early 1980s) when they outperformed the market while the dollar was rising. Not long after the Multina-

their overseas plants. of course, the dollar started Just as important - and this strengthening again - and kept is where the Nifty Fifty comon rising pretty steadily until earlier this month. Yet the parison comes in - most of the Multinationals have strong global brands, which are par-ticularly helpful in an era of intensifying competition. In fact, the two groups share Multinationals continued to outperform their peers.
There are some obvious ressons for this apparently perverse behaviour. Although a more than their size: they constrengthening dollar affects the reported profit of the typical tain many of the sama compa-

But the Nifty Fifty is famous not just for the way in which

verted into a smaller number of dollars, it does not necessarily affect the underlying economic performance of the company. Many of these businesses long ago set up factories overseas; their local margins are thus unaffected by currency movements. Indeed, some can even take advantage of a stronger dollar by shifting more production for the US market to

its members managed to out- et positions in growing indusperform their peers spectacu- ies, and were thus insulated larly for two years as the over om the ups and downs of the all market fell away. It is also omestic cycle. This made remembered for the sharp and sam particularly attractive in unpleasant fall from grace of se tail-end of the hull market, its constituents immediately 3, the credibility of the afterwards, in the 1973-74 bear sign-flying technology compamarket. Xerox is merely an seand conglumerates of the extreme example.

that its members had established impregnable global mar on't think these stocks are

Total return in local currency to 25/7/96 0.75 -0.68 0.58 0.25 0.93 0.16 1.80 4.16 1.88 10.17

extreme example.

A big part of the appeal of une thing happening again?

the Nifty Fifty was the belief Mr McManus is fully aware

the historical comparison. "I

currently anywhere near as expensive or overowned as they were in, say, December 1972," he says. In those days, he adds, Procter & Gamble was trading at twice the market multiple, compared with today's 1.2 times. Still, fur investors in their 40s and 50s. it is perhaps reassuring that Xerox did not quite manage to clamber back to its 1972 historical peak in the market's surge

the downturn is likely to be

Query over Sony currency holdings

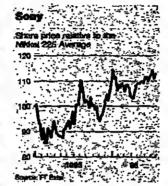
First-quarter results on Wednesday from the Japanese consumer electronics manufacturer are expected to come within a range of Y16.5bn-Y26bn (£98m-£155m). The wide range reflects differing views over how the company will handle non-operating losses on its foreign currency holdings, analysts sald. In the same quarter last year, the company reported a pre-tax profit of Y29.4bn. Revenue is expected to he Y1,060hn-Y1,080hn, up from Y895.5bn. Analysts said Sony will likely see continued revenue growth

Bridgestone: The Japanese B Glaxo Wellcome: The UK's

row to report a first-half parent pre-tax profit of about Y4L5bn. compared with Y31.7hn last year. Bridgestone raised its first-half pre-tax forecast in late June from its initial estimate of Y32bn because of the Japanese currency's recent easing and the company's firm exports. It has said higherthan-expected unit sales in the half will have huoyed the pre-tax figure by Y9bn, with the weaker yen adding another Y18hn. Bridgestone's figures also henefited from firm exports worldwide, especially to North America, Europe, the Middle East and south-east Asia, analysts said. Analysts said the original equipment and replacement tyre markets were still growing worldwide, having a positive impact on Bridgestone where exports account for nearly 30 per cent of parent revenue. AFX, Tokyo

largest pharmaceuticals company should reveal pre-tax profits of almost £1.5bn when it publishes first-half results on Wednesday, compared with £1.15bn a year ago. It will be difficult to draw precise comparisons with the first half of 1995 during which Glazo paid almost 210bn for Wellcome and other acquisitions, turned a cash pile into debt and took £700m in restructuring charges. Sales will be easier to compare and should reach £4.3bn in the first half, compared with just below £4bn on a pro forma basis. Investors will look for growth in sales of newer drugs - the key to the company overcoming the likely patent expiry next year on the Zantac olcer treatment, the world's best-selling drug.

■ BAT Industries: The tobacco and insurance conglomerate is expected on Wednesday to report a dip in interim operat-ing profits. A small exceptional



tional index came into being.

US-based multinational, as

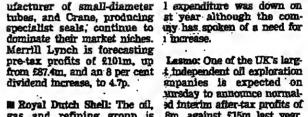
overseas earnings are con-

gain, lower interest costs and a positive exchange rate impact will leave pre-tax profits up about 8 per cent at £1.28bn. Normalised earnings per share will rise about 2 per cent to 23.8p. Tobacco profits will he ahout 2 per cent higher at £765m Financial service profits will be down about 2 per cent to £530m with further deterioration in UK general insurance offsetting gains at



Allied Dunbar in the UK and Farmers in the US.

TI Group: The specialist engineer is expected on Thurs-day to maintain its impressive profits advance at the half-way stage. The upturn in the aerospace cycle should be helping its Messier-Dowty aircraft landing gear business, along with the propeller manufacturing operation, Bundy, the US man-



gas and refining group is 8m, against £15m last year.
expected nn Thursday to his figure does not include
announce a rise in normalised 5m from the sale of its Canasecond-quarter profits after tax .an ·subsidiary. Analysts and exceptional items from ticipate a statement on its £1.15bn to about £1.35bn. The f-shore commissioning probprofits have been helped by ms at the Liverpool Bay oil strong oil prices and unusually id gas fields. Lasmo may also higher demand for gas because ovide an update on develop-of unseasonally cold weather ents in Algeria, where it has strong oil prices and unusually in the spring. Some analysts unk some successful appraisal expect the company to ells.
announce a rationalisation of the company to ells.
its downstream refining bust-Gnardian Royal Exchange: ness although they forecast the he UK composite insurer is

my has spoken of a need for Lesmo: One of the UK's larg-

independent oil exploration enpanies is expected on unsday to announce normal-

division will show a slight spected on Wednesday to improvement in performance. mounce interim trading prof-Analysts are also hoping for a s. - stripped of exceptionals statement on plans for capital od investment gains - of expenditure. First-quarter capi- 122m, against £179m. Most of

attributed to poor weather in the UK, US and Republic of Ireland, as well as margin presaure on its UK motor insurance business. Including investment gains - likely to have fallen from £150m to £50m - and exceptional restructuring charges for the RAC insurance services business acquired earlier this year, pre-tax profits are expected to plunge from £327m to £163m. Analysts will be seeking further information about integration and cost savings to be achieved from the acquisition of the commercial general insurance business of Legal & General, announced earlier this month, and more information about the restruct-uring of its US operations. The City is awaiting clues about a possible acquisition in that region. GRE is expected to maintain its progressive dividend policy, raising its interim. payout from 3.1p to 3.3p per share.

is for Midnight Oil

chents' bebalf. In countries, we've one To never be complacent. To never take relation-

ships for granted And to work until the 10h is done. To your Telecoms sector if the limelight

light in the primary equity markets. The French government last week appointed its advisers for the planned share sale in France Télécom while Deutsche Telekom announced the syndicate structure of its

initial public offering. The German transaction, scheduled for mid-November, is expected to total up to \$10bn, while France's offering, expec-ted around April, could come to another \$80n, bankers say. In addition to these two jumbo offerings, the Italian government is still looking to

sell its 62 per cent holding in talecoma giant Stet, pending parliamentary approval of a regulatory authority for the telecoms and hroadcasting industry. The sale, which could take place any time next year, is expected to be worth about

However, while some investors may be daunted by the kets over 10 months, others say inderwriting banks to assess retail demand for the deals and 'hat price investors are willthe shares' likely benchmark 1g to pay, thus ensuring status to their respective mar- mooth take-up. kets will ensure aufficient. The French Treasury last demand. hursday appointed Deutsche

occepta total a solution state of the solution in the solution is a solution of the solution o

sgenda - governments will aribas as its advisers for the want to ensure the offerings art privatisation of stateare made attractive for retail wined France Télécom. Valuainvestors," said one banker. one have yet to be made, but Indeed, to Germany - not hith- inkers estimate the company erto known for its equity culture - some 1.2m retail inves- ie government is expected to turs have registered as ill a share of between 15-20 potential huyers since market ar cent. France Telécom had ing began in April.

Moreover, he says, "these pale de Paris, Merrill Lynch will be large index stocks and Banque Lazard as its which institutional tovestors lvisers. will need to own - the only question is whether they buy them in the initial offering or

Lastly, dealers say, inves-tors' improved understanding of telecoms companies - partly a result of the high number of ajor coup for DMG, which

the mar- ill make it easier for the

"There's always a political lorgan Grenfell and Banque art privatisation of stateworth some FFr200bn, and

> Global co-ordinators have ot been appointed yet, but it thought Parihas and BNP Ill assume that role, leaving MG and Merrill with very nior underwriting positions. The appointment has been a

The telecommunications sector prospect of \$25hn to new tele ansactions in this sector - has spent large sums of money on beefing up its presence in the primary equity market; although Deutsche Bank is acting as global co-ordinator on the Deutsche Telekom offering, France Telécom is its first non-

German privatisation mandate. Meanwhile, the German anthurities on Friday announced the international syndicate structure for Deutsche Telekom's sale. Deutsche Bank: Dresdner Bank and Goldman Sachs will act as joint global co-ordinators; in the UK, the regional lead man-ager is SBC Warburg, in the rest of Europe, Paribas will be regional lead, the American tranche will be led hy Gold-man, Deutsche and Merrill Lynch, and the Asia-Pacific region will be led hy Daiwa Securities. • Poland's telecommunications ministry has appointed CS First Boston and Schroders to help it draft a plan to privatise its telecommunications monopoly. TPSA.

FT/S&P ACTUARIES WORLD INDICES

REGIONAL MARKETS Figures in perentheses	US	Note	Pound	BOAY JU	LY 25 19		Local		1.00	THURSD	YJJL YA	25 1996		DOI	LAR IN	X=X
show number of lines	Dolbar	100 B	Stering	Yen	DM	Currence			US	Pound			Local			Year
of stock	Index	25/12/95	Index	Index	Inches	Index	29/12/		Dollar Inclex	Sterling Index	Yen	DMi	Index	52 week 5 High	_	ago (approxi
Australia (50)		21	154.90	132.75	149,32	163.75	~3.		190.90	181.76	130.58	146.72	181.31	212.18	177.98	
Austria (24)		2.3	170.18	122,17	137,A3	197.36	5.	2.05	178,00	169.48	121.76	136.81	138.75		168.11	
Belgrum (27)		0.2	199,61	143,45	161,37	157.86	4.,	4.22	209,30	199.36	143.23	160.94			186.06	
Brazz (28)		24.4	168,63	117,48	132.15	318.80	29.	2.04	174.45	166,10	119,33	134.08			123.97	138.
Canada (119)		5.1	148.65	106.75	120,08	155.15	5.	231	154.92	147.50	105.97	119.07			134.14	
Denmark (30)		6.2	292,34	209,88	236,10	238.45	a	1,93	906.70	292,01	209,79	235.73	237.97		276.89	
Finland (23)		2.3	182,46	131,01	147.38	180.58	5.	277	190.68	181.55	130.44	146.56	179.70		171.73	
France (95)		5.0	179,82	128.96	145,07	148.58	а	3.24	198,98	160,90	129,96	146.03	149.38	198.39	167.70	
Germany (58)		4.3	162.81	116.89	131,49	131.49	а	1.85	170.86	162,68	116.88	131,32	131.32		155.86	
Hong Kong (59)		5.4	393.13	262.24	317,49	409,42	6.	,3.50	412.68	392.92	282.29	317.19			346.81	
Indonesia (27)		-	187.37	134.52	151.32	261,30		1.59	199.18	168.65	136.26	153,10	264.60			301.0
ireland (16)		7.7	262.20	158.31	211,82	239,82	a,	.3.58	273.46	280.37	187.05	210.18	238.01	290.82	235,88	245.8
really (58)		21	71.77	51.53	57.05	85.84	-1,	2.58	75.71	72.08	51.79	58.12	85.84	84.53	67.22	
Japan (461)		-42	141,47	101,57	114.25	701.57	a	0.75	147.20	140.15	100.69	113,13	100.69	164.68	137.75	
Makayais (107)		8.4	506.10	363.35	408,73	608,83	7.,	1.76	536.82	510.92	267,07	412.45			425.77	
Mexico (18)			1075.53	772.46	858.93	9372.78	7.		1129,49	1075,40	772.61	868.12	9389.98	1325.65	791.99	540.9
Netherland (TR)		3.7	209.71	193,64	217.82	214.78	7.	3.36	285,68	272.00	195.42	219.58	216.51	299.60		
New Zealand (15)	83.07	4.3	79.19	56.86	63.95	88.51	-2	4.29	81.95	78.03	56.06	62.98	62.46	84.71	245.79	
Norway (35)	248.85	7.5	237.03	170.18	191,43	215.25	8.	2.10	249.53	237,58	170.69	181.79	215.46		75,94	
Philippines (22)	196.26	-	188.00	135.89	152.64	258.78	-	0.63	200.36	190.78	137.05	153,99	281.54	256.94	222 24	239,
Singapore (44)	385.14	-5.4	367.16	263.60	296.52	251,39	-5.	1.51	387.75	389.18	255.24	298.02			-	
South Africa (44)		-12.8	320,43	230.05	258.79	327.63	. 6.	2.26	340.25	323.95	232.74	251.51	252.93	465.21	355.81	
Spain (37)		4.8	165.08	118.52	133.32	165,49	9.	3.63	176.15	187.71	120.49	135.30	329,19	437.7B	336.13	
Sweden (48)	338.31	8.4	322.51	231.55	260.A7	329.72	7.	2.58	339.23	322.99	232.05		187,44		145.15	
Switzerland (57)		1.1	227.50	163.33	163.73	178.94	a	1.86	238.90			260,73		360.77	280.13	291.3
Thorand (45)		-13.9	138.15	99.18	111.57	142.35	-13.	2.32		227.48	163.41	183.61	179,73	252.34	191,24	202.7
United Kingdom (199)		0.5	220.82						148.53	141.42	101.60	114.16	145.74	193.95	144.81	175.5
		3.0		158.54	178.34	220.82	a.	4.25	232.51	221.38	159.05	178,71	221,38	237.48	216.52	223.5
USA (626)			245.79	177.18	199.31	258,88	3,	2.28	258.75	244.45	175.82	197.33	256.75	278.47	226.74	229.0
Americas (791)		3.4	225.62	181,89	182,22	199.05	3.	2.27	234.82	223,58	160.63	190.48	197,48	252,43	Communication and	
Europe (706)		2.5	120.55	141,12	158.74	177.32	4.	3.18	207.06	197.15	141.64	159.15	177.68		208.18	
Nordle (136)	.295,21	7.0	281.42	202.05	227.28	251.69	7.	2.45	295.66	281.51	202.25	227.25	251,12		189.33	
Pacific Basin (880)		-2.5	153.06	109.69	123.62	112.12	0	1.22	159.51	151.87	108.11	122.80	111.38		261.13	281,
Euro-Pacific (1588)	178.49	-0.3	171.05	122.82	138.16	135.81		2.18	179.21	170.63	122.59	137.74		177.01	148.88	781.
North America (745)	.252.50	9.1	240.79	17288	194,47	252.00		2.28	250.53	238.53	171.37	192.58	138.45	190,57	166.51	176
Europe Ex. UK (507)	197.44	3.9	178.89	128.29	144.31	152.08	. 8.	2.61	186.29	179.28	128.80		249,94	269.52	221.79	223.9
Pacific Ex. Japan (399)		3.5	261.20	187.53	210.95	236.53	. 1.	3.10	273.01	260.79		144.72	152.35	194,86	183.65	178.5
World Et. US (1795)		-02	172.12	123.57			ີ 2	216	180.33		187.36	210.52	236.44	296.68	243,59	
	202.03	12	182.50	138.28	139.00	.141.19		2.01	201.03	171.70	123.35	138.60	140.68	191.55	167,38	-
	235.66	2.9	224.65		155.55	170.45	· S.			181,41	137.52	154.51	169,48	213.05	185.61	
		6.0		161,29	191,43	221.95	3_	2.64	234.95	223.70	160.72	180.58	221.10	247.55	212.62	190,6 216,7
The World Index (2421)	204.64	1.2	195.08	140.06	157.55	175.06		2.21	203.79	194.03	139.40	156.63	174.19			E 10.4

INVESTMENT BANKING. FROM



REQUILATED BY DEA AND IMPO

Benchmark yield curve (%) 26/1/8 — Month soo —

FT-SE-A All-Share Index

10 22 23

Source FT Entel

The week's list of corporate

results and news items is short

but of high quality, with no

constituents reporting results and a similarly high quality

list of annual meetings. The

recently on the potential for

come up with the goods on

Tuesday. Other hig names

Industries Glavo Wellcome

Guardian Royal Exchange

Lasmo, Shell and TI Group.

reporting include BAT

share buy-backs in the banking sector and NatWest might

market has been focusing

less than seven FT-SE 100

**. :

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Contract Contract Con-

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"我们在我们的"。 第二章

ويهما فالمنافية

This could be the week that sets the direction for US interest rates - and financial markets - for the second half

of the year. The decision of the Federal Reserve's policy-making committee not to raise rates at its last meeting at the end of June was promptly thrown into question by e strong employment report that sent reverberations through both bond and stock markets.

Any further warning signals this week of incipient inflation including in the latest monthly employment report due on Friday – would seem to leave the Fed little choice but to act at its next meeting on August 20. In e week packed with data,

the most important announcements will be: Tuesday's employment cost index. After a 3 per cent year-on-year rise in the first quarter, most economists expect a 3.3 per cent increase for the second.

 Thursday's release of second quarter GDP. The springtime spurt in economic activity probably translated into GDP growth of around 3.8 per cent for the quarter. according to economists surveyed by MMS International - an acceleration from the 2.2 per cent of the previous three months. The National Association of

Purchasing Managers' index,

ak visid corve (%)". - Mortin abo -5:00 - - 20 years 20 - - 20 5.300 19 - 22 23 24 26 24

> also on Thursday. The July index is expected to come in at around 55, up from 54.8 in

 Friday's employment: report. After the 0.8 per cent jump in hourly earnings for June, July's report is expected to show a further rise of 0.3 per

If these various forecasts. turn out to be on target, then a picture will emerge this week of an economy which has entered the third quarter in full flight - pointing to higher interest rates later in August.

There is every reason to expect another week of big movements in equities and some keen action in gilts as the UK market braces itself for. the usual monthly meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England.

Prior to last Friday, the narket had seemed to accept that a further reduction in UK interest rates was increasingly unlikely, given the most recent economic evidence. This included an encouraging quarterly survey from the Confederation of British Industry, which highlighted the first rise in confidence among UK manufacturers since spring last year. And retail spending rose sharply in the second quarter, with non-food sales showing their strongest rise for eight years.

But the smaller-thanexpected increase in gross domestic product during the same period was a disappointment and seen by many in the market as keeping alive lingering hopes of a further cut in UK rates. Investors will also have to

keep an eye on events in the US where that market has been jolted, initially by fears that e robust economy could lead to a rise in US rates, but most recently by disappointing news in the high technology FRANKFURT By Andrew Fisher

Puffs of smoke emerged from the Bundeshank last week, but they did not presage a change of interest policy. The small fire on the roof of the German central bank stemmed from repair work, not e Vatican-like attempt to alert the world to a cut in a key interest rate. But for the bank's own hints, few people would have thought a lower securities repurchase (repo) rate was on the cards. As it was, expectations were high when the bank held its last council meeting before the summer break. But there was no change in monetary policy. The dollar fell and markets were caught on the hop. Economists were also upse "The council has forgone its chance to stabilise the forex market and sink the short end

deeper into the ground," said Mr Adolf Rosenstock of IBJ Research in Frankfurt. Yet the chance of a further repo cut from the present 3.30 per cent, unchanged for sever months in spite of reductions in the discount and lombard rates, remains. Mr Otmar Issing, e Bundesbank director, said it would see if there was scope for lower rates, last week's stance having been influenced by high money supply growth.

Before the next Bundesbank meeting on August 22, industrial output figures for June, July memployment, and

O There Mankings Debiglied by Michael Morgan

Benchmerk yield curve (%) 26/7/96 - Month ago -5.00 10 years 20 DAX Index 2.500 2,480 2,440 19 22 23 24 25 28 anchor of the yield [cnrve] July 1908 Source FT. Edd .

> the July Ifo business sentime survey (which worsened in June) could present a more buoyant economic picture. Much depends on currencies, J.P. Morgan added, "If D-Mark strength turns into a trend, the Bundesbank would likely respond with a move in August, even with economic

market bigher liquidity, mak-

Investors should notice little

difference, although the

enhanced transparency should

make for a fairer market. Trad-

ing will begin at 9.30am for

bonds, 10am for stocks and

10.15am for derivatives, and

will be continuous until

4.30pm. The new system will

ing it more attractive.

data turning up." Securities markets, meanwhile, are also watching the US. German shares have been somewhat shaken by Wall Street's volatility. Equities are likely to tread water for a while.

TOKYO By Emiko Terazono

Fluctuations on the Tokyo stock market are expected to continue to be strongly affected by developments on Wall Street.

The fall in US shares has raised concerns that US mutual funds, which had been leading buyers during the Tokyo stock market's rally earlier in the year, will try to maka up the losses in US holdings by taking profits on their Japanese share portfolio. Although profit-taking by

overseas investors may not be as heavy as some investors think, heightening anxiety over foreign selling has led to the selling of shares with high foreign ownership. Domestic institutions

meanwhile, continue to provide underlying support through their bargain-hunting buys. A number of investment trusts will also be launched this week, and are expected to purchase stocks.

Bond prices are likely to react to fluctuations of the

Nikkei stock benchmark and

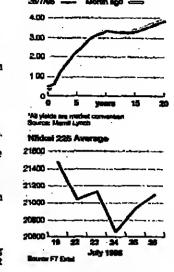
the Bank of Japan indicated

last week that the economic

recovery was only gradual.

key economic indicators. While

helping to calm the bond market, last week's increase in inflation data indicated a cause in shifting monetary policy. Economic data released this week are expected to provide support for the financial markets still trying to



Benchmark yield curve (%)"

overcome interest rate jitters. Industrial production for June is expected to show a monthon-month decline, although forecasts for July and August are likely to be stronger than in the previous year. labour problems still persist.

The labour figures for June are expected to show that the The seasonally adjusted unemployment figure may indicate a rise in the rate if the number of unemployed people remain unchanged from May's level of 2.4m, says SBC Warburg in Tokyo.

Copper has something to prove

After ending last week on a note of uncertainty the London Metal Exchange copper market

still has something to prove. Having got over most of the shock of the Sumitomo crisis, analysts are increasingly saying it is time for the market's short-term, bullish fundamental to be reasserted.

That seemed to be happening last week as the LME threemonths delivery price moved above the psychologically-important \$2,000-a-tonne mark on Thursday night. But a hesitant day's trading on Friday saw it retreat back into the \$1,990s. The reversal was due partly

to an unexpected, although relatively modest, rise in LME warehouse stocks of the metal. But Mr Wiktor Bielski, analyst at Bain & Co, a Deutsche Bank review.

subsidiary, pointed out that total western world copper stocks were equivalent to just 3.6 weeks' supply, only just above the 3.5 weeks level previ-

ously regarded as critical. He thought the copper price should be heading for \$2,200 e tonne "sooner rather than later", with further gains to come in the fourth quarter of this year. Mr William Adams, of Rudolf

Wolff, part of Canada's Noranda natural resources group, also thought there were further gains in store for the copper price. But he warned that the bounce could be short lived. A rise to \$2,250 a toone would represent "a good long-term selling opportunity", ha said in a special market review.

The platinum market put in a strong finish on Friday and could make further gains this week, traders said, especially if miners at South Africa's Implats went on strike as union leaders expected.

in Russian platinum shipments to Japan, which sparked speculation that Russia's stocks were dwindling. Among this weeks events is the three-day Diggers and Deal-

Also buoying the platinum

market were reports of delays

ers gold confarence in Kalgoorlie, Western Australia, which will be opened by the state premier, Mr Richard Court, this morning. Companies making presenta-

tions at the conference will

include North and Goldfields.

PARIS

After last week's Bundesbank disappointment, some analysts still believe that the Bank of France will announce a small reduction in the key intervention rate, probably by 5 to 10 basis points, after Thursday's

monetary policy council meeting urites William Cochrane.
Meanwhile, tomorrow's annual meeting of Canal Plus onght to be lively, given the speculation surrounding its ambitions in German satellite digital television; and half-year sales from Schneider and Pinault should indicate how industry and the consumer fared in the second quarter of 1996.

Meanwhile, Tuesday will also see delayed results from Ramy Cointreeu, postponed "for technical reasons" from July 3. The shares, for a long time, have been reflecting the a single location will give the

intense competition in the world market for wines and spirits, and Remy, according to Mr Dermott Carr at Nikko Securities, was caught by a difficult dollar/franc relationship, and by its own price increases for last year's Christmas trade, which were not matched until

later by the competition. In the stock market, last Friday, Remy was standing at about FFr130 against a high of FFr167 for the year and a peak of about FFr240 in mid-1995.

ZURICH

The market enters a new era on Friday when all transactions will be made directly through a centralised electronic trading system. This will enable all stocks to be per-manually traded. And, say analysts, concentrating trading in

also be available for entries and inquiries from 4.30pm to 10pm and from 6am until trad-

ing begins.

NORDIC With the Scandinavian spmmer holiday season now almost at an end, Scania sets the second-quarter results season in motion on Friday. UBS expects that, following the tone set by SKF, generally weak trading performances are likely to be reported for the second quar-

ter, as foreign exchange and weak European demand unite to put profits under pressure. Earlier this month, SKF, the world's largest manufacturer of roller bearings, blamed slack demand in Europe and stiffer competition for a 21 per cent slump in first-half profits. Pretax profits slid from SKr1.87bn to SKr1.48bn, some SKr100m

below market expectations. However, UBS says that this month's Swedish purchasing managers' index and last week's KI business confidence survey both suggest mounting optimism among manufacturers for the fourth quarter.

HONG KONG

Banking stocks are set to grab the limelight this week, ahead of the reporting season which kicks off with HSBC Holdings'

and Hang Seng Bank's interim

writes Louise Lucus. Analysts reckon the banks will post better results than initially expected, and this could fuel gains in the stock prices. Corporate earnings will continue to provide a focus for

investors, but in the interim

earnings reports next Monday

brokers are looking for another week of cautious trading. Weak sentiment persists on the Hong Kong-listed China H shares whose results tend to come out later - and investors are still wary of rises in interest rates. Some volatility may occur in the early part of the week, ahead of the expiry of the spot future contracts at the month end, but otherwise dealers are looking for scant excitement in the short term, with the benchmark Hang Seng Index coutinuing to move in the 10,600 to

11,000 range. It closed Friday at

the limelight

Market ponders Buba while waiting for the Fed

be one of contemplation rather than action for foreign exchange markets.

The contemplation will be of both a backward and a forward looking nature. On the ona hand traders and investors will be trying to assess the full impact of the Bundesbank's decision last week to leave its interest rates unchanged. For currency markets, this poses at least two questions; does their

FT GUIDE TO WORLD CURRENCIES

decision mark the end of the likely to convince markets that easing cycle in Germany and what does it tell one about their attitude to the value of the D-Mark.

Whila the market contemplates these questions, it will also be looking ahead to the employment report on Friday. In recent months these have tended to be stronger than expected, often generating much market excitement. A strong report on Friday is

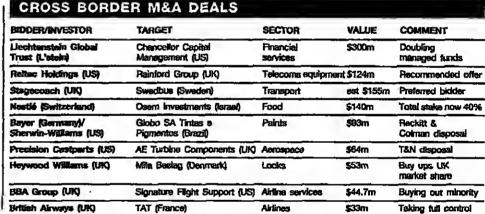
the Fed will tighten policy when it meets again on August

The likely currency impact of such a decision is unclear. Market consensus at present is that higher US short rates will favour a stronger dollar, but there are certainly some who believe that the likely upset it will cause US asset markets will produce the opposite effect

Aside from the dollar, the other main theme is likely to be the performance of the "high-yielders". With tha D-Mark firmer again, have the convergence trades which were so successful in the first half of

the year run their course? Central to this discussion will be the lira, which has weakened sharply to around L1,030 against the D-Mark having threatened to breach L1.000 about a month ago. Analysts at SBC Warburg in London note that against the backdrop of "a weak economy, impotent policy, political turbulence, weakening dollar and no more German rate cuts, investors are likely to adjust the only variable that will help the econ-

omy - sell the lira". The South African rand was at a 10-week low last Friday and traders may well try to re-test the historic low around R4.57 against the dollar.



CONTRACTS & TENDERS

CONSULTANCY SERVICES REQUIRED AT THE STATE BANK OF PAKISTAN

To support financial reforms, the Government of Pakistan, intends to strengthen and modernize State (central) Bank functions via a technical assistance program. The program is funded by a World Bank loan Consultancy services are now required at the State Bank of Pakistan (SBP), in the following areas: ON SITE EXAMINATION OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS.

Experts are required to review the existing examination methodologies, techniques, and report formats and recommend changes to improve the effectiveness of examination activities, so as to enable the SBP to make a reasonable assessment of an institution's financial strength, performance, and future prospects. The existing procedures are primarily designed to ensure compliance with the SBP's regulations, and to verify the authenticity and accuracy of documentation. Experts will be required to arrange on the job training (for SBP staff) with national regulatory agencies of repute.

OFF-SITE SURVEILLANCE OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS.

Experts (preferably resident) are required, to review the existing prudential regulations and returns surveillance procedures used by the SBP and suggest modifications where necessary. Experts will suggest better surveillance via re-design of forms, peer comparisons, exception reports and the use of financial information, including ratio analysis. Key surveillance methods should continuously evaluate risk relevant to different financial activities. Experts will be required to arrange on the job training (for SBP Staff) with national regulatory agencies of repute, Critical review of methods currently used in the area of Problem Bank Management is also required.

OVERALL DESIGN OF AN ORGANISATIONAL STRUCTURE AT THE SBP, FOR IMPROVED SUPERVISION, AND EXAMINATION, OF FINANCIAL INSTITUTIONS IN

Experts will be required to take a fresh look at the organization and staffing of the supervision function. Expert assistance is required to review the existing organizational set-up for supervision and regulation in the context of improvements in On-Site and Off-Site surveillance and make specific recommendations regarding the desirability of a separate legal entity relative to the central bank. Experts will be required to formulate implementation plans for this function.

LAUTOMATION OF MANAGEMENT INFORMATION SYSTEMS

Strategies and a phased plan for the automation and/or computerization or SBP activities is required. Plan must cover all aspects of automation including hardware, software, communication and networking, personnel requirements. This plan will eventually form the framework of automation activities at all State Bank offices in Pakistan. Consultants will be required to review progress periodically and suggest methods of removing impediments.

Persons and/or firms, preferably with prior central bank, developing country experience in the field (outlined above) are invited to send their proposals. They can offer expert assistance for one or more, of the four areas indicated above.

Expressions of interest or requests for additional information must be received within twenty-one days of the publication of this advertisement. All enquiries or expressions of interest should be addressed to:

R.A. Chughtai, Executive Director State Bank of Pakistan, Central Directorate, LI, Churdrigar Road, KARACHI, PAKISTAN. Phone: (92 21) 2430205, Fax: (92-21) 2428342



Budget sends Bombay south

India's stock market roared south this week after Monday's first budget by Mr P. Chidambaram, finance minister for the new United Front government. The Bombay Stock Exchange's 30-share Sensex index dropped more than 5 per cent last week, closing on Friday at 3560. .

The slump had Mr Chidambaram puzzled. "I don't underatand the share market too wall," he told Friday's Economic Times. But I think the downswing is temporary." He also suggested be would embark on "pushing a number of investor-friendly steps" to help revive the markets.

His government is depending on raising an optimistic Rs50bn through poblic asset disinvestments betweeo September and January to meet his fiscal deficit target. Flat equity markets last year meant tbat the previous Congress government managed to raise only a small fraction of its tar-

geted Rs70bo in such sales. Mr Chidambaram's debut bodget was a judicious mix of taxes, spending, tariff cuts and modest reforms designed both to keep India's five-year-old liberalising reforms on track while bowing to the political needs of his ideologicallydiverse 13-party coalition, one in which leftist parties bold powerful sway. But the market had its eyes on three main fac-

First and arguably most

90.62 233.48 192.67

76.78 1,115.31 1,35.41....

44.29 136.80 106.38 243.77 77.59

World (431) ...

Argentina (22) Brazil (23)

Letin America (112)

Europe Greece (18) Portugal (20) Turkey (25)

China (24)

Chile (16)

immediate reaction, was the imposition of a fresh "minimum alternative tax" designed to bring into the corporate tax net an estimated 1.049 of India's top companies which currently avoid paying any such, by taking advantage of a raft of exemptions for such things as investments, depreciation or tax-free export earn-

ings. ING Barings' research showed that 65 of India's top 200 companies fall into this "zero-tax" bracket, a veritable Indian corporate Who's Who, including highly profitable groups such as Reliance Industries, Tisco, ONGC, Sail and National Aluminium. The market also took a dim

view of Mr Chidambaram's announcement that companies would be permitted to issue non-voting shares up to 25 per cent of their paid-up capital. Investors are chary of possible dilution without manage-rial accountability to shareolders and worry that if forthcoming guidelines for such issues are too permissive. the market could face a deluge.

And there was scepticism over Mr Chidambaram's ability to deliver a cut in the fiscal deficit from last year's 5.9 per cent of GDP to 5 per cent. Few Bombay-based brokerages believe the target will be met, arguing by previous example that spending is likely to overshoot his target, while suggesting Rs50bn in state disinvest-

ING BARING SECURITIES EMERGING MARKETS INDICES

-5.05

-3.83 -2.52 -1.57 +1.35

Notice to Holders of

74%-9% Convertible Series A Debentures

(the "Series A Debentures")

7%%-9%-10.73% Non Convertible Series AA

Debentures (the "Series AA Debentures") 71/% - 10% Convertible Series B Debentures

(the "Series B Debentures")

Debentures (the "Series BB Debentures")

(collectively the "Debentures") due June 16, 1997 Sodisco-Howden Group Inc.

(formerly Unigesco Inc.)

NOTICE IS HEREBY GIVEN that holders of Debeatures representing more than 66%% of the principal amount of outstanding Debeatures have, by written extraordinary resolution dated June 14, 1996 (the

by written extraordinary resolution dated since 14, 1946 (the "Extraordinary Resolution") prepared pursuant to the provisions of the trust indenture dated as of Jane 16, 1987, agreed to postpone until June 16, 1997 the interest payment due and payable to Debentureholders on June 16, 1996 (the "1996 Interest"). The Extraordinary Resolution

states that the 1996 Interest shall itself bear interest at the same rate of

interest as that payable pursuant to the terms of the Debentures

The Extraordinary Resolution allows Debentureholders, by written payment notice given before June 10, 1997, to require that the 1996 interest be paid by the issuance of treasury common shares at an issue

No Accrued Interest on the Debentures shall be paid in the event a Debentureholder delivers the coupons evidencing the 1996 Interest and the accompanying payment notice before December 1, 1996. As of December 1, 1996, the amount of Accrued Interest calculated from June 16, 1996 up to but excluding the date the coupon evidencing the 1996 Interest is delivered, shall be paid in lawful money of Canada on the 6th day of or delivery thereof.

In the event treasury common shares representing 7.5% of the outstanding common shares at the time the payment notice is given are issued to Debeotureholders. Debentureholders will be allowed to one

representative on the Board of Directors of Sodisco-Howden Group Inc. In the event treasury common shares so issued represent 15% of the

outstanding common shares, the number of representatives on the Board

Debentureholders who wish to exercise the right to obtain treasury common shares of Sodisco-Howden Group Inc. in payment of the 1996 Interest evidenced by coupons may do so by delivering to the principal paying agent or to any of the paying agents listed below a duly completed payment notice together with the coupons evidencing the June Interest.

Copies of the payment notice may be obtained from and tendered to any of

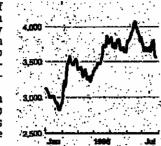
Principal Paying Agent

Banque Paribas Luxembourg, S.A. 10a Boulevard Royal L-2038 Luxembourg Telecopier: 352 46-46-4332 tion: Départment des opérations de s

(the "Accrued Interest").

price of \$0.135 per share.

BSE SO Sensitive index



reach in the eight remaining months of the fiscal year. The greater the overshoot, the bigger the government's borrowing programme and the stronger the upward pressure on interest rates, which have only lately begun to ease after more than a year of govern-

ment pressure on available The high rates of the past 18 months have turned retail investors off Indian equities and towards a series of attractive new bond issues. This, combined with liquidity pressures on domestic institutions, has helped leave the momentum for Indian equities almost solely in the hands of foreign institutional investors (FIIs) for the first half of this year. Foreign inflows of about \$2bn since January had, almost single-handedly, pushed up a Sensex languishing st 2,800

+7.11

+47.39 -3.00 -0.80

-1.56 +1.50 -2.94 -6.88 +2.96 -3.87

+3,78 +2,06 -11,01 -8,08 -5,51

late last year to its pre-budge levels, cresting at 3,800. Brokers say that Fils have sat off the market during bud

get week, with many suggest

ing the plunge has been fuelled rather by domestic speculation. But the foreign appetite for Indian paper remains, even if it has become increasingly selective. The recent \$50m Global Depository Receipt offering by Crompton Greaves was oversubscribed, as was a \$100m convertible bond from Mahindra & Mahindra, the vehicles

And while two other \$50m issues have recently been pulled, a trio of big issues by wellregarded companies - \$200m by Telco, the car group, \$200m by ICICI, the state financial group, and \$400m from the State Bank of India - are hitting the road and are expected to find takers.

These auro-issues may tem per the immediate demand for direct foreign purchases on the domestic market. But the indian market remains cheap in the region, with the Sensex stocks trading at around 14 times prospective 1997 earnings and the broader market at around 11 times.

However, FIIs and local brokers differ significantly in their outlook for eps growth, which has been averaging 25 per cent to this fiscal year. Those, including Morgan Stanley and Crosby, making upper-end pre-budget forecasts in the range of 22-55 per cent for fiscal 1997 have trimmed these in view of the new minimum tax to 17 or 18 per cent.

But some brokerages had been making gloomier pre-bud-get forecasts of 1996 earnings growth in the range of 11-12 per cent, believing that higher input costs from recent fuel and rail freight price rises, a softening rupee and increasing port, power and other infrastructural bottlenecks, might bring overall economic growth substantially below government estimates of 6.6 per cent for the year. Jardine Fleming, for exam-

ple, sees growth at around 5.4 per cent. At least one other eading FII is touting 4.5 per cent. "Past growth is not an indicator of future performance. We stand by our forecast of an economic downturn," adds ING Barings.

Bundesbank shatters hopes of convergence

Even the most bullish advocates of convergence last week revised their expectations, and said they now despaired of seeing Europe's high-yielding bond markets move closer to German levels in the near future.

Sinca the Bundesbank announced last Thursday its decision to leave the repo rate unchanged at 3.30 per cent for the next four weeks. yield spreads between German bunds and high-yielding European bonds have widened substantially.

The 10-year spread of Italian BTPs over bunds crossed the psychologically-important 300 basis point level to eod the week at 312 basis points, while that of Spanish bonos widened by almost ¼ percentage point to 251 basis points. Analysts at BZW are fore-

casting further widening of these spreads in the short term, to around 350 basis points for Italy and more than 275 basis pointa for Spain. And predictions by Sanwa International and Paribas Capital Markets lie in a similar

The Bundesbank's decision was "one more nail in the coffin of convergence", said Mr Mark Fox, chief European strategist at Lehman Brothers. "The Bundesbank made it clear that it is not worried about a strong D-Mark," said Ms Phyllis Reed, European

bond strategist at BZW. "They are not likely to review their policy until it [the currency] reaches a level where it starts to hurt the economy."

However, tha Bundesbank is not the sole culprit. Several other factors have played a role in this radical shift in expectations. The dollar's performance on the foreign exchange markets is undoubtedly one of them. The ateady appreciation of

the US dollar against other currencies, in recent months, had underpinned the convergence process by weakening the D-Mark and mark-denominated bonds relativa to the peripheral European markets. But the dollar's rally appeared to be wavering lately in the absence of a rate hike by the US Federal Reserve, and was dealt a further blow by the

The Bundesbank council's inaction also had indirect side-effects by limiting other European central bankers' latitude. Until recently, the central banks of France, Italy and Spain were expected to ease their leading interest

But these hopes have been dashed by a "German mark on the rampage", in the words of Mr David Brown, chief international economist at Bear

Several European central banks intervened last week to support their currencies including the Bundesbank, which was reportedly buying French francs. In these conditions, "unilateral rate cots are now un hold", said Ms

As a result of currency instability, some economists say the lira's re-entry into the European exchange rate mechanism, an important driving force behind Italian convergence, might bave to be delayed.

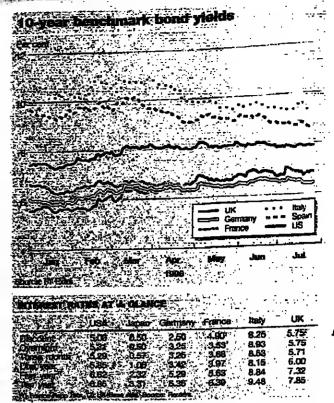
The target for the lira's rejoining the ERM is understood to be between 1,000 and 1,020 against the D-Mark; but late last week, the currency was trading at around 1,033 and is likely to weaken towards the 1,040 level this week.

Furthermore, both the Italian and Spanish markets are suffering from domestic politi-cal and economic consider-

In Italy recent tensions between the government and ecologists, arising at the heels of earlier clashes with the Reconstructed Communists, were a reminder of the instability of the political situation. Spain, meanwhile, suffered

from the discovery of a sizeable "hole" in its budget, requiring a tax hike. The incident highlighted tha difficulty the country is facing in reining in its public deficits - a necessary effort to qualify

for European monetary union. Until the Bundesbank council reconvenes in late August, perinheral markets "will be in a no man'a land", said Mr Brown at Bear Stearns. Meanwhile, most analysts believe these markets will be taking their lead from the US, with a tendency to over-react on any bearish news.



pean economist at San Paolo Bank in London, warns of the risk of "more profit-taking [on high-yielding bonds) if the US payroll data are stronger than expected". She predicts further flight to quality, with bunds benefiting most, in particular if US Treasuries prove to be vulnerable to the data.

But analysts also warned against overplaying last week's events. "The market was looking in bad shape even before the repo decision," said Ms Persaud.

"All the good news was built into the market," said Mr Graham McDevitt, a bond strate-gist at Paribas. "The widening two weeks ago of Italian and Spanish spreads was a warning

Mr Fox at Lehman Brothers also points out that the convergence process was nearing its and anyway. Investors have been unwinding convergence trades for some time...[Otherwise] the sell-off would have been much worse.

Lehman's monthly survey of international bond investors shows that fund managers have been reducing their holdings of high-yielding European bonds over the past month. The proportion of investors long or very long in Italian bonds declined to 29 per cent in July, from 37 per cent in

Holdings of Spanish and Swedish bonds witnessed a similar trend. According to Mr Fox these figures show "a large switch away from peripherals towards the core Euro-

The survey also showed that tha proportion of investors long - and very long - in the German, Dutch and Austrian bond markets more than doubled to 58 per cent in July, from 26 per cent in

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June. Economists believe that after the initial shock, investors will soon start speculating on the likelihood of a repo rate cut at the next Bundesbank meeting on August 22, especially if members of its council continue to issue pro-dollar state-

"The dollar's rally is not over yet," said economists at Matheson Investment Management, "After a period of consolidation we expect the dollar to ratest DM1.54," possibly pro-viding renewed support to the convergence process.

Ms Reed said BZW had not revised its long-term forecast on high-yield outperformance. "Our target is still 275 basis points for Italy and 225 basis points for Spain by the yearend," she said, referring to the 10-year spreads over German bunds.

Italy and - to a lesser extent Spain are not the only valnerable markets. Analysts pointed out that they were the first to suffer because they had shown the best performances in recent months.

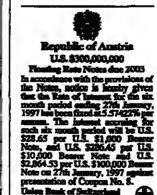
Howavar, if the current uncertainty takes hold, it is likely to spread to other peripheral bond markets. Sweden and Denmark are also starting to show signs of weakness," said Mr McDevitt at

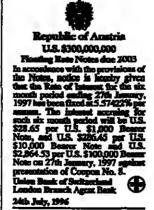
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Bank of Montreal US\$250,000,000 Floating rate debentures, series 10, due 1998

Interest rate for the period 29 July 1996 to 29 January 1997 has been fixed at 5.925% payable on 29 January 1997 will be US\$302.83 per US\$10,000 note against coupon 21. 225,000 Floor Certificates due 1998

The differential interest rate for the above payment period has been fixed at 0.125% per annum, interest payable on 29 January 1997 per US\$1,000 note will amount to US\$0.64. Agent: Morgan Guaranty Trust Company **JPMorgan**

To Holders of THE NISHI-NIPPON BANK, LTD. U.S. \$70,000,000 2% per cent. Convertible Bonds due 2003

Notice of Adjustment of Conversion Price

Pursuant to sub-clause (E) of Clause 6 of the Trust Deed dated 19th February, 1988, under which the above described Bonds (the "Bonds") were issued, notice is hereby given that as notified to the holders of the Bonds on 10th July, 1996, the Board of Directors of The Nishi-Nippon Bank, Ltd. (the "Bank") at its meeting held on 1st July, 1996 resolved that the Bank offer rights to its shareholders of record at 17.00 hours, Japan time, on 28th July, 1996 (the "Record Date"), entitling them to subscribe for 0.177 shares of the Bank's common stock for each one share held at the subscription price of 430 language was ner share. Such rights will be exercisable for the common stock for each one share near at me sunscription price of 430 Japanese yen per share. Such rights will be exercisable for the period from 27th August, 1996 to 10th September, 1996 (both days inclusive). The shares of common stock subscribed by the share-holders will be issued on 25th September, 1996.

As a result of such offer of the rights, the conversion price of the Bonds (670.80 Ispanese yen per share as at 28th Iuly, 1996) was adjusted to 619.30 Ispanese yen per share, effective as at 29th July, 1996 which is the day immediately following the Record Date, pursuant to Condition 4(C) (ii) of the Terms and Conditions of The Daiwa Bank, Limited

on behalf of THE NISHI-NIPPON BANK, LTD.

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HOWEGARDEN LIMITED given that a Petition has been presented to the Court of Seaso Registered Office at West Pauloulate Auchterless, Turnit, Ab-In which Petition the Court by Interdocutor dated 10 July 1996 appointed all parties of interest to lodge Answers. If so advaged, in the hands of the Deputy Principal Sension, 3 Parksanent Square. Edmburgh, within 31 days after such animation and advernal which notice is hereby given.

Shepherd & Wedderburn, WS. Saltire Court, 30 Castle Terrace, Ediaburgh Agents for the Petitioner

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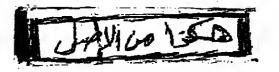
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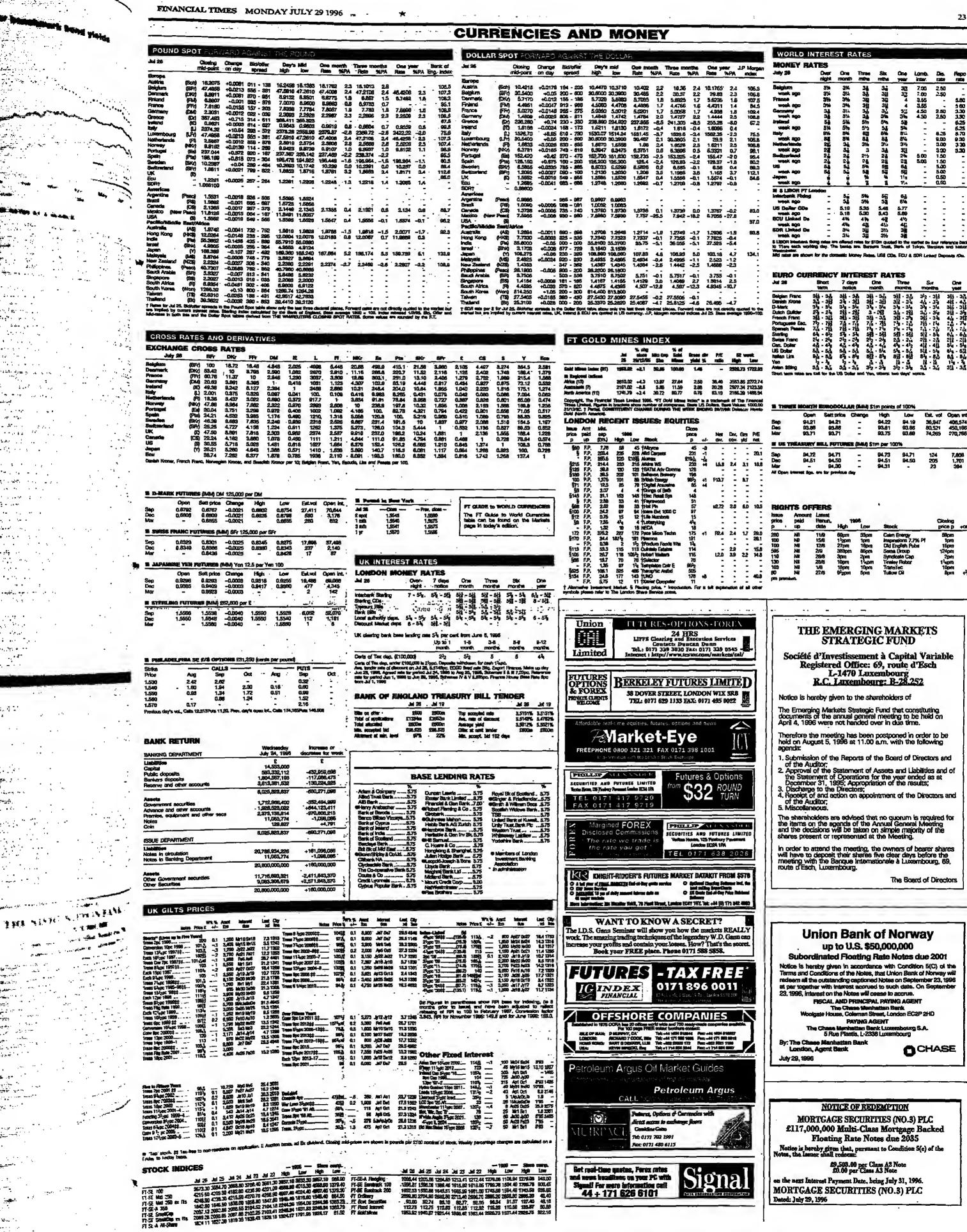
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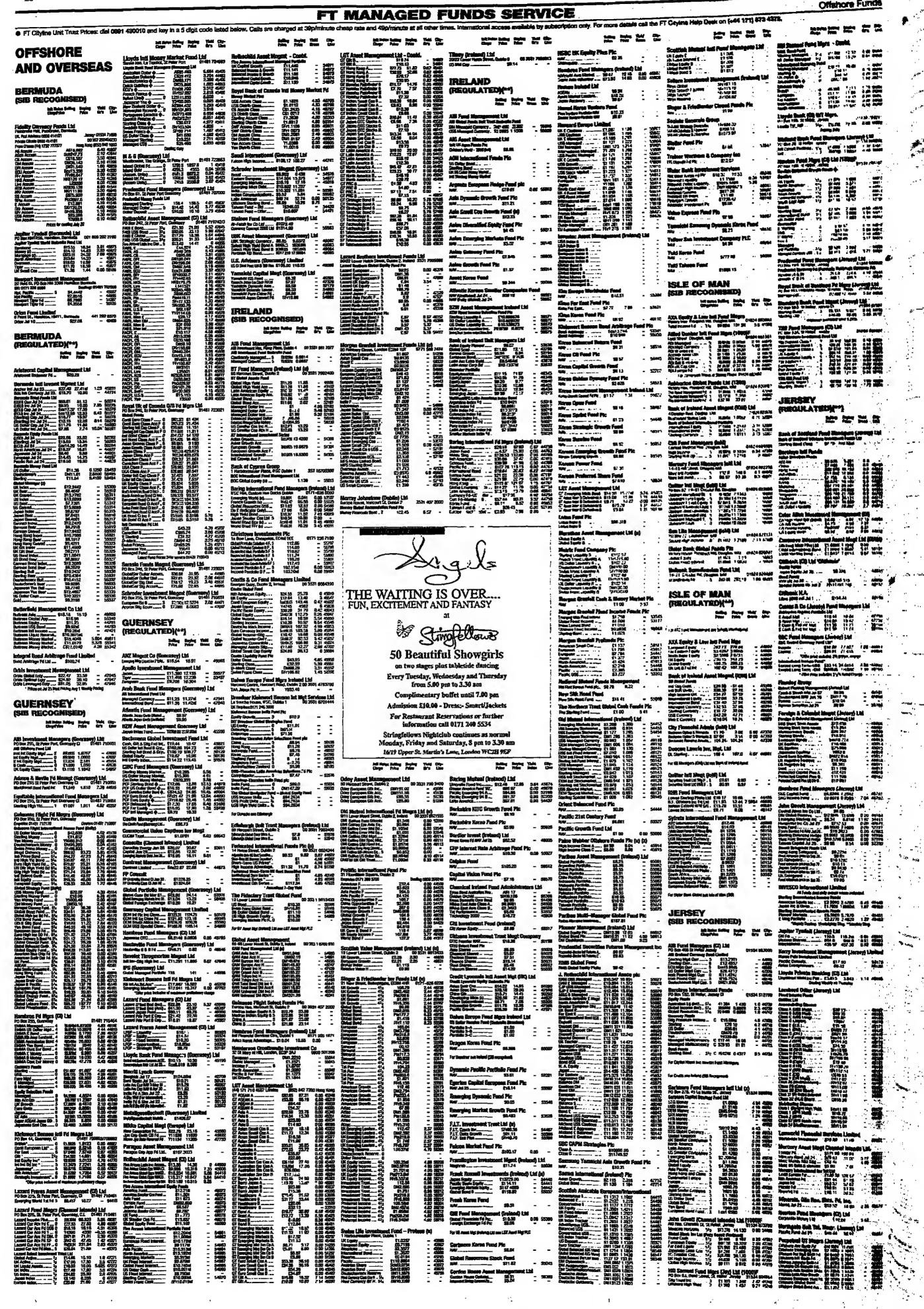
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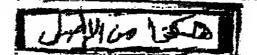
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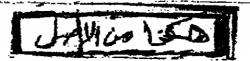
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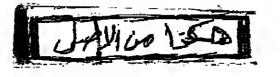
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MONDAY

Ulster peace plenary session

Northern Ireland parties are expected to participate in a plenary session of the peace talks process, paving the way for substantive political discussions to open when the negotiating teams reconvene in September. After bitter wrangling, the nine parties - with the London and Dublin governments - are due to agree the rules and procedures for roundtable negotiations on the province's constitutional future. The breakthrough occurred after George Mitchell, the US senator chairing the talks, tabled a compromise paper agreed by the parties last week

US/Japan semiconductors

US and Japanese trade negotiators start negotiations in a last-minute attempt to reach an agreement over semiconductors before a bilateral accord expires on Wednesday. The two sides, due to meet in Vancouver, Canada, differ widely on what kind of co-operative arrangement should replace an accord lauded by the US as a model for future trade pacts but maligned by Japan as sanctioning managed trade. The agreement has forced Japan to ensure that the foreign share of its semiconductor market reaches 20 per cent.

Blair reshuffles his team

Tony Blair, the leader of the UK opposition Labour party, embarks on the last stage of this year's round of summer resbuffles. In last week's shadow cabinet adjustment, he demoted Clare Short, the leftwing transport spokeswoman, and installed the ultra-loyal Andrew Smith in her place. This week, in a resbuffle of the middle and lower ranks of his team, he is likely to give more responsibility to rising stars of the 1992 intake of MPs in order to prepare them for jobs in a Labour government, Full details of the resbuffle may not be released until later in the

Brisbane fisheries congress



The second world fisheries congress starts in Brisbane, where about 900 scientists and academics from more than 60 countries will gather to discuss the future of the

world's fisberies. The four-day conference is expected to focus on sustainability and the replenishment of fish stocks as global fishing pressures continue to mount.

UN nuclear test ban treaty

The 61 members of the United Nations disarmament conference return to Geneva to give their verdict on a draft nuclear test ban treaty. In June, negotiators were unable to agree vital issues including cooditions for the pact to enter into force and the regime for on-site inspections. Jaap Ramaker, the chairman, hopes his draft can be agreed this week, enabling the treaty to go forward for signing at the UN general assembly in September. India, which will not sign the pact, has not



Possible action against Major Pierre Buyoya (centre), Burundi's military ruler who took power last week, is to be discussed by African states on Wednesday

indicated whether it will block agreement. Decisions must be by consensus.

Finance ministers in Chile Eduardo Aninat, Pedro Malan and

Guillermo Ortiz, the finance ministers of Chile, Brazil and Mexico respectively, address a seminar in Santiago. They will present economic forecasts for their countries and talk about business opportunities in Latin America. Chile's once-insular companies have invested an estimated \$9bn (£5.7bn) in the region in the past four years, and \$4.4bn in 1995 alone, mainly in Argentina but also in Peru, Bolivia, Brazil and Colombia.

Public holidays Bangladesh, Netherlands Antilles, Peru, Sri Lanka.

TUESDAY 30

G7 conference on terrorism Foreign and interior ministers from the Group of Seven industrial countries, and Russia, meet in Paris to try to put forward recommendations for combating terrorism. The meeting may gain a greater sense of urgency in the light of recent bomb attacks in Spain by Eta. the Basqoe separatist group, and moves by Bill Clinton, the US president, to put the adoption of more concrete measures to fight terrorism high on his electoral agenda. It is likely to generate more co-ordination on drug trafficking and organised crime.

US employment data awaited Financial markets are eagerly awaiting the release of the US employment cost index for the second quarter. This arcane

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statistic is attracting interest because it includes the most reliable measure of US wage inflation. Confirmation of a trend towards higher pay awards evident in the first three months would increase the chance of an early increase in US interest rates. Markets will also be watching figures for second-quarter growth, due on Wednesday, and July employment, due on Friday, Another big increase in payroll employment could trigger a tightening of monetary policy in August.

Moonlight at the Acropolis



Tourists in Athens are allowed to visit the Parthenon by moonlight for the first time in 20 years. Keeping the Acropolis open this summer until 1.30am on the night of the full

moon is part of a plan to make the city more attractive to visitors. However, it may be scrapped if some Greek archaeologists get their way. They argue that opening the fifth-century BC temple pre cinct at night could encourage vandalism.

Clarke and George meet

Kenneth Clarke, the UK chancellor, bolds his regular monetary meeting with Eddie George, the governor of the Bank of England. The chancellor is likely to leave interest rates on hold, after the spate of strong consumer spending data and hints of an improvement in manufacturing.

Women in the workplace Improving the lot of the world's women workers is the theme of an action guide published by the Geneva-based Interna-

Statistics to be released this

leader, walks out of prison only a few weeks after his brother, Jorge Luis. Another brother is to be freed in August. Accused of smuggling hundreds of tons of cocalne, money laundering and several murders, the brothers surrendered in return for soft sentences. Meanwhile their Cali colleagues, Miguel and Gilberto Rodriguez Orejuela, have accepted charges of drug trafficking and money laundering. This coincides with pressure for the reinstatement of extradition to the US. where they would face life sentences.

David Ochoa Vasquez, a Medeilin cartel

Final bids for MoD homes

Final bids must be received for the 58,000 homes in the Ministry of Defence married quarters estate. Defence chiefs hope the privatisation will raise between £1.5bn and 62hn. The shortlisted bidders are groups led by British Land, the UK property company, ING, the Dutch financial institution, Nomura, the Japanese securities house, and a consortium consisting of Lehman Brothers and Bankers-Trust, the US investment banks.

lfor commander steps down US Admiral Leighton Smith steps down as commander of the Nato-led Implementation Force (Ifor) in Bosnia. He will be replaced by Vice-Admiral Joseph Lopez, the deputy chief of naval operations in the Pentagon. Meanwhile, as part of the pressure on Serb leaders to comply with the Dayton peace plan, John Kornblum, the senior US mediator for the region, will return this week to former Yugoslavia.

Nato mandate up for renewal The deadline expires for Turkey's parliament to renew the mandate for US-led air patrols based in Turkey to continue enforcing a United Nations no-fly zone over Iraq's Kurdish provinces. Opera-tion Provide Comfort began after the Gulf war to protect Iraqi Kurdish rebels from Baghdad and to stop mass migration of local Kurds into Turkey. But Turkish politicians claim western involvement in northern Iraq shelters guerrillas of the Kurdistan Workers Party (PKK). The new Islamist-led coalition, which criticised the operation in opposition, is under intense pressure from the US and the Turkish military to allow the flights to continue.

THURSDAY

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Bangladesh president vote Bangladesh's parliament is expected to elect the country's next president, to succeed Abdur Rahman Biswas, whose five-year term formally ends on October 8. Shahabuddin Ahmed, the former chief justice, is almost certain to assume the post following his unopposed nomination. by Sheikh Hasina, the leader of the Awami League, which assumed power after Bangladesh's recent elections. Mr Ahmed served as acting president in 1991.

Brazil election campaign Campaigning officially starts for Brazil's municipal elections, which will be the first electoral test of the government of President Fernando Henrique Cardoso. Voters go to the polls on October 4 to elect mayors in more than 4,000 municipalities. Four out of 51 senators and 121 out of 513

federal deputies are running for intal office; many will retain their sears its congress during the campaign from these congressmen not running will devote themselves mostly to campaigning in their colleagues - making it harder for Mr Cardoso to push through his already-delayed reform programme.

Public holidays Benin, Bermuda, Nicaragua, Switzerland.

Trindad, Zaire. FRIDAY

BT responds to Oftei

British Telecommunications is to associate to the UK telecommunications industry regulator's proposals for controls on its prices and ways of policing its activities to 2001. The regulator, Oftel, proposes BT limits price increases for residential and small business users to the rate of inflation minus 4.5 percentage points. But he is also linking this to a fair trading condition - which might trigger BT's rejection. This would force Oftel to refer the issue to the Monopolies and Mergers Commission.

Public holidays

Bermuda, Cook Islands. Costa Rica. Macedonia.

SATURDAY

Women's world championships. Leamington Spa, England (to Aug 24).

Sailing

Cowes Week, Isle of Wight, England (10 Aug 10).

Public holidays El Salvador, Equatorial Guinea. Niger, SUNDAY

Olympic marathon ends



After a terrorist bomb outrage and fierce controversy over organisational mishans, the Atlanta Olympics come to a weary end. The last day is climaxed by the men's marathon

and the closing ceremony. Apart from the bomb attack, Atlanta's Games will be recalled for the row over IBM's computer system and the host country's alleged ngoism and orgiastic flag-waving. Once the Games close, the spotlight will switch to Sydney, Australia, which may be regretting its offer to host the millennial Olympics in 2000.

Public heliday

El Salvador. Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

Other economic news

Monday: Japan and the US are likely to be in the spotlight this week, with fresh economic data providing clues about trends there.

June's industrial production in Japan is expected to show a small fall, after last month's

Tuesday: Japan's unemployment data should show little change, although some economists hope that the rate will have edged down slightly in

Wednesday: Japan's construction and bousing data is likely to show little change. Meanwhile, France's unemployment rate is expected to be Nat in June. The French INSEE survey of industrial companies will be closely

watched for any bints of a

downturn. Thursday: A feast of US data will have the markets on edge today. The US second quarter gross domestic product data will be watched for signs that the country's economy is accel

Meanwhile, July's survey of purchasing managers may provide evidence of stronger Friday: US July payroll fig-

ures are forecast to show fur ther strong growth.

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themselves (6)

Thurs	US	Q2 GDP advance	3.8%	2.2%
August 1	US	O2 GDP deflator advance .	2.6%	2.4%
	บร	June construction spending	0.5%	0.9%
	US	M2 (w/e July 22) · · ·	\$6.3bn	-\$6.9bn
	US	July domestic auto sales	7.2m	7.3m
	US	July domestic light truck sales	5.9m	· Bm
	Japan	July auto sales"		4.3%
	Norway	Q2 GDP advance	48.00	22%
	Venez.la	June consumer prices index*	6.0%	7.1%
	Venezla	June consumer prices index**	114.6%	108.7% -
Fri	UK	July official reserves (\$bn)	-	\$119π [™]
August 2	Ireland	July unemployment rate	12.6%	12.8%
	us	July non-farm payrolls	190k	239k
	US	July manufacturing payrolls	5k	.7k
	US	July hourly earnings	0.3%	0.8%
	US	June factory orders	-0.3%	2.4%
	US	July unemployment rate ·	5.4%	5.3%
During t	he weak			
	Germany	June ind. production (West)*	-	0.9%
	Germany	June Ind. production (East)*		1.9%
	Germany	June manuf. output (pan Ger)"	-0.3%	1.1%
	Germany	June ind. production (pen Ger)"	-0.3%	1.0%
	Switz.id	July fed. consumer prices index**	0.8%	0.9%
	Brazil	June unemployment rate	5.8%	5.91%

tional Labour Organisation. Nearly half of

all women are in the labour force, but they

work longer hours and are paid far less than men. The report, a follow-up to the

1995 UN conference on women in Beijing,

opportunity and treatment been achieved. Recommendations include measures to

protect women from workplace hazards

and improve social security protection.

Start of the "Glorious Goodwood" race

Cuba, Netherlands Antilles, Sri Lanka,

Leaders discuss Burundi

Presidents Benjamin Mkapa of Tanzania

and Yoweri Museveni of Uganda meet in

last week's Tutsi coup in Burundi. The

two have condemned the overthrow of

Arusha, Tanzania, to discuss action about

Hutu president Sylvestre Ntibantunganya

but have stopped short of calling for his

restoration. Possible action against the

countries' road and railway links for immorts and exports. Diplomats say

agreement between African leaders is

to avoid action.

new regime, led by Major Pierre Buyoya,

includes stopping Burundi's use of the two

crucial to the global response, and without

it Western countries will have an excuse

Colombian drug baron freed

Another Colombian drugs baron is to

leave jail, after serving 51/4 years. Juan

meeting; one of the highlights of the English summer social season (to Aug 3).

says that nowhere has equality of

Horse racing

Public holidays

WEDNESDAY

Thailand, Vanuatu.

12.4%

1.0%

7.2%

0.6%

MONDAY PRIZE CROSSWORD No.9,132 Set by DANTE

A prize of a Pelikan New Classic 350 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday August 8, marked Monday Crossword 9,132 on the envelope, to the Financial Times, 1 Southwark Bridge, London SEI 9HL. Solution on Monday August 12. Please allow 28 days for delivery

Winners 9,120

Solution 9.120 R. Jennison, Prestwick, Ayrshire Mrs F.E. Crozier, Taunton,

R. Davis, Worcester A.J. Rayment, Isleworth, Mid-dlesex E.A. Ross. Greenford, Middle-

nonth on month, "year on year, †seas.ad

A.N. Titchener, Windsor, Berkshire

TACTFU

Statistics, courtesy MMS International

Good-bye battery



Welcome to the future: Seiko Kinetice, the first quartz watch that turns your movement into power. Every move you make is converted into electrical impulses by a tiny built-in powerhouse. Ecological, reliable and efficient: wear it one day to gain energy for at least two weeks. Wear it daily - it will run continually. Made of titanium: light, yet strong and kind to your skin. 20 bar water resistant. One-way rotating bezel end screw lock crown. Seiko Kinetic - it's built to last. Someday all watches will be made this way.

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